

**ENERGY AND WATER, AND RELATED AGEN-  
CIES APPROPRIATIONS FOR FISCAL YEAR  
2006**

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**THURSDAY, APRIL 7, 2005**

U.S. SENATE,  
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,  
*Washington, DC.*

The subcommittee met at 2 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Christopher S. Bond, presiding.

Present: Senators Burns, Craig, Bond, Allard, Murray, Dorgan, and Johnson.

DEPARTMENT OF DEFENSE—CIVIL

DEPARTMENT OF THE ARMY

CORPS OF ENGINEERS—CIVIL

**STATEMENT OF JOHN PAUL WOODLEY, JR., PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE ARMY (CIVIL WORKS)**

**ACCOMPANIED BY:**

**LIEUTENANT GENERAL CARL STROCK, CHIEF OF ENGINEERS**

**MAJOR GENERAL DON RILEY, DIRECTOR, CIVIL WORKS**

**ROB VINING, CHIEF, CIVIL WORKS PROGRAMS, INTEGRATION DIVISION**

OPENING STATEMENT OF SENATOR CHRISTOPHER S. BOND

Senator BOND. Good afternoon. The hearing of the Subcommittee on Energy and Water, and Related Agencies, the Committee on Appropriations, will come to order. The chairman has gone with the delegation to Rome, and he was kind enough to ask if I would be willing to sit in for him. It's a great honor because of my interest in this area. I had the opportunity to deliver a full statement on the floor today, in support of our reauthorization. I will not bore you with it again this afternoon. For the three or four of you who may be interested it should be in the Congressional Record.

Today the subcommittee will take testimony on the Fiscal Year 2006 Budget request for the U.S. Army Corps of Engineers and the Bureau of Reclamation. Our hearing will be in two panels. The first panel will consist of witnesses from the Corps of Engineers. Testifying for them will be John Paul Woodley, Principal Deputy Assistant Secretary of the Army for Civil Works and Lieutenant Carl Strock, Chief of Engineers for the U.S. Army Corps of Engineers.

The second panel will consist of witnesses from the Bureau of Reclamation.

#### ADDITIONAL PREPARED STATEMENTS

I will ask unanimous consent to place the entire opening statements of the Chairman Senator Domenici and Senators Cochran and Landrieu into the record.

[The statements follow:]

#### PREPARED STATEMENT OF SENATOR PETE V. DOMENICI

Good afternoon—the hearing will come to order.

Today, the subcommittee will take testimony on the fiscal year 2006 budget request for the U.S. Army Corps of Engineers and the Bureau of Reclamation. Our hearing today is broken into two panels.

The first panel will consist of witnesses from the U.S. Army Corps of Engineers.

Testifying for them will be: John Paul Woodley, Principle Deputy, Assistant Secretary of the Army for Civil Works, and Lieutenant General Carl A. Strock, Chief of Engineers for the U.S. Army Corps of Engineers.

The second panel will consist of witnesses from the Bureau of Reclamation.

Testifying for them will be: Mr. R. Thomas Weimer, Acting Assistant Secretary for Water and Science, Bureau of Reclamation, and Mr. John W. Keys, III, Commissioner, Bureau of Reclamation.

I want to thank all the witnesses for appearing today.

As you are aware, the President has made deficit reduction a top priority and as a result budgets are tight.

#### THE CORPS OF ENGINEERS

The President's budget for the Corps of Engineers proposes \$4.3 billion, down nearly 8 percent (\$336 million) from the current year appropriation.

The Corps has taken an unfair, radical approach to developing a budget that rewards large and urban projects and punishes more rural projects and those closer to completion. By applying a one-size-fits-all formula for funding prioritization, the Corps will end up focusing on a few projects while allowing others to be terminated.

Several of the highlights for fiscal year 2006 budget include:

- General Investigations is funded at \$95 million, down 33 percent (\$48 million) from the current year.
- Construction, General is funded at \$1.637 billion, a decrease of 9 percent (\$145 million) from the current year which certainly doesn't help to reduce the more than \$40 billion backlog in unconstructed projects.
- Mississippi River and Tributaries is funded at \$270 million, a decrease of 17 percent (\$51.9 million) from the current year.
- Operation and Maintenance, General is funded at \$1.979 billion, an increase of about 2 percent (\$35.6 million) which is essentially flat and does nothing to reduce the maintenance backlog that has grown to more than \$1 billion.

#### REMAINING BENEFITS TO REMAINING COSTS RATIO (RBRCR)

As I mentioned earlier, this is your first budget assembled by business lines (navigation, flood control, environmental restoration) and prioritized by the use of the remaining benefit to remaining cost ratio (RBRCR). Based on my review of the budget, I believe you should choose another budgeting model for the fiscal year 2007 budget cycle.

Thirty-one projects that you budgeted for in fiscal year 2005 were not budgeted in fiscal year 2006 because they did not meet your formula. However, you budgeted \$80 million to suspend these 31 projects. It is my understanding that had you included another \$120 million, you could have budgeted for all 31 of the projects.

The appalling part of this budgetary decision is that six of these unbudgeted projects could be completed in fiscal year 2006. Yet you chose to schedule them for termination. I am amazed that you thought this was either reasonable or prudent.

This budget relies heavily on a one-size-fits-all formula. My understanding of your criteria is that you have disregarded sunk costs and are only comparing the remaining project costs to the remaining project benefits and using solely that criteria to determine where funding should be spent. However, in a few cases, projects that didn't meet your criteria that you wanted to fund anyway were included in your budget. Further, if one looks at the distribution of projects in the budget proposal,

the only conclusion that can be drawn is that the budget favors urban areas over rural areas.

#### BUDGET PROPOSALS

The fiscal year 2006 budget has a number of proposals, some new for this year, some recycled from previous years.

The budget has again assumed \$181 million in hydropower revenues from the Power Marketing Administrations will be available to the Corps to for maintenance of hydropower facilities at Corps' projects. Once again, we will be forced to find funding to cover this proposal. We have tried several times to enact this proposal without success. Yet you continue to propose it annually.

The budget has proposed the elimination of continuing contracts after fiscal year 2005 in favor of multiple year contracting. As I understand it, adoption of this proposal would severely limit your flexibility to manage the Corps' program. Not only is the use of continuing contracts mandated in law, we believe the use of continuing contracts along with reprogramming of project funds allows the Corps to efficiently utilize scarce funding and effectively manage a national program.

The budget proposes a modification of the fiscal year 2005 beach policy that was rejected by the Congress. I think it is safe to assume that the modified policy will also be rejected.

One other interesting proposal in the budget is that \$200 million would be available only if the Secretary of the Army determines that the overall funding allocation among projects is substantially consistent with the performance budgeting guidelines set forth in the President's budget. How does the Corps plan to enforce this?

#### BALANCE OF CORPS MISSIONS AND WORKFORCE

Over the last 30 years, Congress has always attempted to balance the Corps program, not only among all of its competing missions but geographically as well.

The value to the Nation of the Corps of Engineers' Civil Works water resource program has been debated for more than 150 years, however, the consensus has always been that the Civil Works program not only contributes to our national economy and it adds to our national defense.

More than 3,000 Corps civilian employees have volunteered to serve in Iraq and Afghanistan in order to help with rebuilding efforts in those two countries. Most of the 200 or so uniformed services within the Corps have also served.

This ability to project this type of expertise is what makes the Corps of Engineers unique and valuable among Federal Agencies.

#### THE BUREAU OF RECLAMATION

The two major project accounts for the Bureau of Reclamation budget request are the Central Utah Completion Act Account and the Water and Related Resources Account.

#### THE CENTRAL UTAH PROJECT

The Central Utah Project Completion Account is funded at \$32.6 million for fiscal year 2006, a decrease of 29 percent (\$13.3 million) from the current year.

#### BUREAU OF RECLAMATION, WATER AND RELATED RESOURCES

The Water and Related Resources account is funded at \$916.7 million, a decrease of 5.5 percent (\$52.8 million) from the current year.

This account includes:

- \$128 million for the Central Valley Project;
- \$52.2 million for the Central Valley Project Restoration Fund;
- \$35 million for the California Bay-Delta Restoration;
- \$52 million for the Animas-La Plata project; and,
- \$30 million for the Water 2025 account.

#### ISSUES FOR FISCAL YEAR 2006

The fiscal year 2006 budget proposes direct funding of routine Operations and Maintenance from the Power Marketing Administrations for the Bureau of Reclamation as well. Enabling legislation would be required to obtain this \$30 million in revenues. If enacted on the E&W Bill, it would score against this subcommittee's allocation. As such, this is \$30 million that will have to be accommodated within our allocation.

Funding for rural water projects that are closer to completion are funded at average levels for fiscal year 2006. Rural water projects that were initiated within the last 3 years are not funded. This budget will further drag out completion of these projects and the delivery of fresh water to these communities.

Two areas of your budget that I believe you have again seriously underfunded are Advanced Water Treatment technologies and water reclamation and reuse.

Under Water 2025 you have included \$2 million for advanced water treatment technologies. Perhaps under some of your challenge grants you anticipate work in this area as well. However, I believe that research and development on desalination and other advanced water treatment concepts is an important part of the West's future water supply.

Likewise, water reclamation and reuse is a vital component of increasing near term water supplies for the West. The Federal share for most of these projects is about 25 percent or \$20 million whichever is less. In many cases, the few Federal dollars involved are the difference as to whether these projects can move forward or not. The Federal dollars are leveraged against other funding to make these projects a success.

The tight fiscal constraints under which we will be working this year will make it especially hard to find additional funds for both the Corps and Reclamation. We will do the best that we can.

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PREPARED STATEMENT OF SENATOR THAD COCHRAN

Mr. Chairman, I join you in welcoming the witnesses to this hearing.

I appreciate the good work the Corps of Engineers does in the State of Mississippi. I do, however, have some serious concerns with the Corps' ability to continue to carry out its responsibilities due to declining levels of funding. The Civil Works program appears to be funded at a level that is insufficient.

Locks and dams are deteriorating, and the Corps doesn't have the resources needed to dredge the waterways that carry commercial cargo, such as the Mississippi River, not to mention many other waterways. The maintenance backlog also continues to grow and become more serious.

In addition, we are not adequately constructing or maintaining important flood control structures that are needed in any areas.

Another area of concern is the recent change in the way the Corps of Engineers approaches reprogramming guidelines that were provided in the fiscal year 2005 Omnibus Appropriations bill. As you know, I signed a letter yesterday with Chairman Domenici and Ranking Member Reid expressing my concerns over the sudden change in this program and the change in the way you use the continuing contract clause. I look forward to hearing your explanation regarding these new policies.

I appreciate the efforts of the Corps of Engineers but worry about inadequate funding of your important missions. The Corps is charged with improving safety and security for our Nation's citizens, and I hope that this committee will provide the resources necessary complete these missions.

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PREPARED STATEMENT OF SENATOR MARY L. LANDRIEU

Mr. Chairman, thank you for calling this hearing to review the President's budget for the Army Corps of Engineers and the Bureau of Reclamation.

Before I comment on any specific budget matters, I wish to express my appreciation for being a member of this subcommittee. Its jurisdiction over both energy and water are matters of monumental concern to my State of Louisiana and our Nation. For these reasons and because of the relationships which we have built, I sincerely look forward to working with all of you.

For many years, Congress has provided more funding for the Civil Works program of the Army Corps of Engineers than requested by the administration. In recent years, Congress has appropriated approximately 10 percent more funding; however, last year Congress enacted 14 percent more than requested. Once again, the administration has requested less funding for fiscal year 2006 for the Corps than was provided by Congress for the current fiscal year.

The impact of the administration's inadequate Corps funding requests are felt throughout the Nation on vital projects causing a delay in their completion and resulting benefits. Many of these projects are physically located in Louisiana but greatly impact the entire Nation. The most notable project is the coastal restoration effort in Louisiana to save America's Wetland.

The Louisiana Coastal Area comprises one of the Nation's largest expanses of coastal wetlands. As an environmental treasure, it supports a diverse collection of

migratory birds, fish, and other species. As a productive natural asset, the Louisiana Coastal Area supports an extensive energy infrastructure network responsible for an estimated 20 percent of our Nation's energy and provides over 20 percent of the seafood consumed in the United States. Additionally, offshore oil and gas production off of Louisiana's coast is one of the U.S. Treasury's largest revenue sources. In 2001, this production contributed approximately \$5.1 billion to the Federal Government.

Despite these significant national contributions made by the Louisiana Coastal Area and its resulting standing as America's Wetland, it accounts for 90 percent of the Nation's total coastal marsh loss. This destruction puts all of its national benefits at risks. Accordingly, the Corps along with the State of Louisiana has been engaged in the development of a comprehensive coastal restoration plan. Hopefully, implementation of this plan will begin soon, and this Congress will provide the Corps with the funding necessary to do the job. I will continue to work with all of you toward achieving this vital goal.

Another example of a project physically located in Louisiana having national implications is the Inner Harbor Navigation Canal (IHNC) lock project. This project at the Port of New Orleans was improperly zeroed out in the President's budget, even though its "Remaining Benefits to Remaining Costs" ratio meets and exceeds the threshold established by the administration for projects such as this to be included in the budget. Congress first authorized the replacement of this lock in 1956! It is a project of national significance that impacts trade in over 25 States on a daily basis. In fact, over 16 million tons of cargo move through this lock each year. I understand from the Corps that the fiscal year 2006 capability for this project is \$25 million. I look forward to working with the chairman to fund this lock project at the best possible level in this year's Energy and Water bill.

Another Louisiana project of major significance is the Southeast Louisiana Flood Control Project, otherwise known as the SELA project. It is only funded at \$10.49 million in the President's budget request, even though the Corps' stated capability for this project is \$63 million. Mr. Chairman, you will remember from your visit to Louisiana in the past few years the importance of this project to the safety and well-being of literally millions of people in my State. Over 30 percent of the population of my State reside in the flood prone areas of south Louisiana. Only last year, we all watched with horror as four separate hurricanes battered the Gulf South, including, of course, Louisiana. That experience reminded us all of the urgent need to complete the SELA project as soon as possible. Thanks to your support, Mr. Chairman, this project has been a priority of this subcommittee for many years. I am again looking forward to working with you and your staff to ensure that the SELA project is funded at the highest possible level in this year's bill.

Besides these and many other ongoing Corps construction projects in Louisiana, the Corps is presently engaged in two studies involving non-traditional ports in Louisiana known as the Port of Iberia and the Port of Morgan City. These non-traditional ports serve as the host sites for fabrication of large offshore oil and gas platforms but do not move cargo as traditional ports do. Because of existing channel limitations, these fabrication ports are unable to deliver the large offshore structures that are currently needed in the deep waters of the Outer Continental Shelf. Consequently, the fabrication contracts for these structures are being lost to foreign ports. To protect the Nation's energy supply and these regional economies, these studies must be completed on time.

Another Louisiana port that is vital to the Nation's energy supply is Port Fourchon. This port is the intermodal support base for over 75 percent of the Gulf of Mexico's deepwater hydrocarbon development. Essentially, Port Fourchon serves as the jumping off point for personnel and supplies to operate offshore oil and gas platforms as well as a gateway for much of the oil and gas that is produced.

Port Fourchon is serviced by the Leon Theriot Floodgate. In 1996, the Corps was asked to study the conversion of this gate into a lock to eliminate traffic interruptions during flood events. Because of the importance of this project and delays in the completion of the study, Congress provided the authority to the Secretary in WRDA 1999 to construct the conversion project upon his determination of its justification. Although the study has been favorably completed, the Secretary has not acted to make the justification determination so that the project can move forward. Accordingly, I encourage the Secretary to act on this vital project.

In closing, Mr. Chairman, I thank you for your continued leadership on the Nation's water issues. I look forward to the testimony of our witnesses and would like to submit some questions for the record when appropriate.

Senator BOND. Mr. Woodley, this is the second time in as many days, welcome. And General Strock, thank you for appearing before

us. The programs administered by the U.S. Army Corps of Engineers are invaluable to this Nation, and provide drinking water, electric power, production, river transportation, environmental protection and restoration, protection from floods, emergency response and recreation.

Few agencies in the Federal Government touch so many citizens with so few people who appreciate what they do, and they do it on a relatively small budget. In my State we have the high honor of working with five Corps Districts in three Divisions. In a water State like Missouri, we see the Corps as an indispensable partner in providing safety and economic development. The budget is ugly but this is not the only agency where cuts are proposed and Chairman Domenici and Senator Reid will do the best they can under the difficult circumstances and they will have broad bipartisan support in doing so. Your full statement will be included in the record. So I would ask you to summarize briefly your statements. And I would call on Senator Craig to see if he has an opening statement.

#### STATEMENT OF SENATOR LARRY CRAIG

Senator CRAIG. Mr. Chairman, what I would do, is I have an opening statement that is tied to a series of questions I would like to ask. So why don't we take their opening testimony and then we can proceed into questions, if you don't mind?

Senator BOND. Thank you very much. Now we will turn to Mr. Woodley.

#### STATEMENT OF JOHN PAUL WOODLEY, JR.

Mr. WOODLEY. Mr. Chairman, members of the subcommittee, I appreciate the opportunity to testify before you today. I'm delighted to be accompanied this morning by Lieutenant General Carl Strock, the very distinguished Chief of Engineers, by Major General Don Riley, the Director of Civil Works for the Army Corps of Engineers, and Rob Vining, Chief of the Civil Works Programs, Integration Division.

The fiscal year 2006 Budget for the Army Civil Works Program includes about \$4.5 billion in Federal funding. My complete statement includes a breakout of this funding by Corps mission area, or business program as defined in the Civil Works Strategic Plan. In addition to the budget justification materials already provided, we plan to provide a 5-year budget plan later this month. This budget plan will help with long-range planning for this program.

The allocations from fiscal year 2006 Budget for planning, design and construction reflect a focus on those studies and projects with the highest expected returns in the Corps' primary mission areas, commercial navigation, flood and storm damage reduction, and aquatic ecosystem restoration.

The budget sets priorities for construction using seven performance-based guidelines. A copy of the guidelines is attached to my complete statement.

For the 105 projects that are funded, the budget bases the level of funding on relative performance. For 35 lower performing, previously budgeted projects that will have ongoing contracts, the budget has funding to either complete or terminate each contract,

depending on the Corps of Engineers assessment of the relative cost of completion versus termination of that contract.

The budget also proposes to place existing authority to award continuing contracts with new authority to award multi-year contracts, to gain greater control over future costs.

The Corps regulatory program to protect the aquatic resources receives \$160 million, an increase of \$10 million from the fiscal year 2005 Budget, and an increase of \$15 million from the fiscal year 2005 enacted appropriations. This funding will enable more effective protection for water and wetlands and more timely permit evaluations.

The funding in the budget for other business programs such as recreation and emergency management is based on recent assessments of effectiveness.

#### PREPARED STATEMENT

In summary Mr. Chairman, this budget and the forthcoming 5-year plan incorporate performance budgeting principles. Many high performing activities would be well funded and it is true that many other activities, although highly justified and worthy, would be deferred, at least for the time being. In all, the budget moves ahead with many important investments that will yield enormous returns for the Nation's citizens. Thank you Mr. Chairman.

[The statement follows:]

#### PREPARED STATEMENT OF JOHN PAUL WOODLEY, JR.

Mr. Chairman and distinguished members of the subcommittee, thank you for the opportunity to testify before the Subcommittee on Energy and Water Development of the Appropriations Committee and to present the President's budget for the Civil Works program of the Army Corps of Engineers for fiscal year 2006.

#### OVERVIEW OF FISCAL YEAR 2006 ARMY CIVIL WORKS BUDGET

The fiscal year 2006 budget for Army Civil Works provides funding to continue development and restoration of the Nation's water and related resources, operation and maintenance of existing navigation, flood damage reduction, and multiple-purpose projects, protection of the Nation's regulated waters and wetlands, and cleanup of sites contaminated as a result of the Nation's early efforts to develop atomic weapons.

The budget continues the administration's focus on those activities within the Corps main mission areas that have high expected net economic and environmental returns. Building upon the administration's Principles for Improving Program Performance in the Civil Works program, which were announced in the fiscal year 2004 budget, the fiscal year 2006 budget uses performance criteria to allocate funding within each program area, in order to achieve a greater overall net return to the Nation from the total to be invested in fiscal year 2006.

The budget emphasizes ongoing studies, projects and programs within the three main missions of the Civil Works program, namely, commercial navigation, flood and coastal storm damage reduction, and aquatic ecosystem restoration. As in the past, to be supported in the budget, a study or project must also meet current economic and environmental performance standards and be otherwise consistent with established policies.

The budget provides funding for other activities as well, including regulatory protection of waters and wetlands, cleanup of sites contaminated by the Nation's early atomic weapons program, and the management of natural resources and provision of hydroelectric power and recreation services at Federally operated Civil Works projects. However, it does not include funding for work that should be the responsibility of non-Federal interests or other Federal agencies, such as wastewater treatment, irrigation water supply, and municipal and industrial water supply treatment and distribution.

The budget includes new discretionary funding of \$4.513 billion. This includes \$200 million for the Construction account that is over and above the amount in last year's budget and that would be available if the overall allocation of funding among projects under the enacted legislation is substantially consistent with the performance budgeting guidelines proposed in the budget. The estimate for associated outlays is \$4.643 billion.

The budget also includes proposed appropriations language to reclassify certain receipts collected by three of the Federal power marketing administrations. The appropriations language, if enacted, would enable the power marketing administrations to directly fund the operation and maintenance costs associated with the power functions of the Civil Works projects that generate the power that these agencies sell. The budget proposes to make available \$181 million in offsetting collections in fiscal year 2006 for this purpose, reducing the total discretionary funding request for the Civil Works program to \$4.332 billion.

The first attachment to this testimony displays the current estimate for the distribution of the discretionary funding request by appropriation account, business program, and source.

#### PERFORMANCE-BASED BUDGETING

Budget and Performance Integration, one of the initiatives of the President's Management Agenda, is central to the preparation of the fiscal year 2006 Army Civil Works budget. The budget targets funding to studies and projects with high returns, and incorporates performance planning into budget planning by program area.

##### *Targeting Funding to Water Resources Studies and Projects with High Returns*

For many years, there have been too many projects authorized and initiated without funding for timely completion, which has led to protracted construction schedules and the deferral of benefits for the most worthy projects. Consequently, the overall performance of the Civil Works program has suffered. The budget addresses this problem by allocations for planning, design, and construction that reflect a focus on those studies and construction projects with the highest expected returns in the Corps' primary mission areas, which are commercial navigation, flood and storm damage reduction, and aquatic ecosystem restoration. The budget also targets funding for operation and maintenance to the highest-return activities. These considerations are discussed below.

*Studies and Design.*—The fiscal year 2006 budget supports funding for the most promising studies and preconstruction engineering and design (PED) activities.

For the navigation and flood and storm damage reduction studies, performance was assessed based primarily on potential economic benefits and costs. For PED activities for such projects, the estimated ratio of remaining benefits to remaining costs is known, and PED activities for projects with ratios of 3.0 to 1 or greater at a 7 percent discount rate were funded. For aquatic ecosystem restoration studies and PED activities, performance was assessed based on relative cost-effectiveness in solving regional and national aquatic ecosystem problems. In all cases, the likelihood of implementation also was considered, including the existence of an executed cost sharing or concurrent financing agreement. The fiscal year 2006 budget concentrates funding on the 142 most promising studies and PED activities. This compares to 272 studies and PED activities that were funded in the fiscal year 2005 budget.

The budget for the General Investigations account is \$95 million. Of this amount, \$55 million is for studies, \$6 million is for PED activities, and \$34 million is for planning coordination, technical assistance, and research and development. In addition, the Flood Control, Mississippi and Tributaries (MR&T) account includes about \$1 million for studies and \$720,000 for the collection and study of basic data.

The budget provides a total of \$20 million to continue planning and design work under the very high priority Louisiana Coastal Area study, which is needed to address the continuing loss of wetlands along the Louisiana coast. This increase of \$12 million over the budget allocation for fiscal year 2005 reflects the progress that the Corps has been making in working with the State to establish priorities for implementation of restoration and related science and technology efforts over a 10-year period.

The budget also includes funding to initiate four reconnaissance studies that competed successfully with the highest performing of the ongoing studies. Three of these studies are funded in the General Investigations account: Coyote Creek, California; Neches River, Texas; and St. Louis, Missouri. The fourth is funded in the MR&T account: a high priority study of opportunities to reduce flood damages and restore the aquatic ecosystem through the further acquisition of real property interests in the Atchafalaya Basin.



One of my priorities is to improve analytical tools to support water resource planning and decision-making. The budget addresses this, for instance, by increasing funding for research and development on modeling and forecasting tools, including \$2.4 million for the Navigation Economic Technologies research program funded in the General Investigations account.

*Construction.*—The budget uses seven performance budgeting guidelines to allocate funds among projects in the Construction account, in order to achieve greater value to the Nation from the construction program. In conjunction, the budget proposes the repeal of existing continuing contract authorities and their replacement with modern, multi-year contracting authorities, as discussed in the section on “Proposals for Programmatic Changes.”

The performance guidelines are spelled out in the Appendix to the President’s fiscal year 2006 budget and are provided as the second attachment to this testimony. Under the performance guidelines, construction projects are ranked and funded based on their estimated economic and environmental returns. The net effect is to redirect funding away from the lowest priority projects to accelerate completion of the highest priority projects. The guidelines are based on sound financial management principles similar to those used by private industry to rank and select investments.

The budget provides \$1.637 billion dollars for the Construction account, including \$200 million that would be available only if the overall funding allocation among projects under the enacted appropriations legislation is substantially consistent with the seven proposed performance guidelines. The budget also provides \$111 million dollars for construction activities in the MR&T account after a reduction for anticipated savings and slippages. The total of \$1.748 billion is the highest amount ever included for construction in a Civil Works budget. In all, the budget provides funding for 105 specifically authorized projects in the two accounts.

Under the performance guidelines, all construction projects are ranked within their program area by their remaining benefits relative to their remaining costs, or, in the case of aquatic ecosystem restoration projects, by the extent to which they cost-effectively address a significant national or regional aquatic ecological problem. However, dam safety, seepage correction, and static instability correction projects are given the highest priority without regard to these rankings. The budget provides 100 percent of the maximum that the Corps can use to carry out work efficiently on 14 dam safety, seepage correction, and static instability correction projects.

Based on these performance rankings, the budget identifies a total of 47 high priority projects. Among the 47 high priority projects are nine projects that the administration views as a national priority and 38 other projects that have a high ratio of remaining benefits to remaining costs, or that are very cost effective in addressing a significant regional or national aquatic ecosystem restoration problem. To accelerate completion of the high priority projects, the guidelines provide that the budget must allocate at least 80 percent of the maximum that the Corps could use to carry out work on these projects efficiently. The Corps provided the estimates for the maximum that the Corps could use to carry out work on these projects efficiently in mid-January, 2005.

The national priority projects include eight that the administration previously has identified: Columbia River Fish Recovery; South Florida Everglades Ecosystem Restoration; Missouri River Fish and Wildlife Recovery; New York and New Jersey Harbor; Olmsted Locks and Dam; Sims Bayou, Texas; Upper Mississippi River Restoration; and West Bank and Vicinity, Louisiana. In addition, for the first time, Oakland Harbor, California, is included as a national priority.

The budget includes \$137 million for the Corps contribution to the Everglades restoration effort. Of this amount, \$35 million is for the Corps to participate financially in the Modified Water Delivery project, along with the National Park Service. The administration has proposed appropriations language in the Construction account and companion appropriations language for the National Park Service to clarify that both agencies would be contributing financially to the Modified Water Delivery project. In addition, the budget proposes funding of the pilot projects program for the Comprehensive Everglades Restoration Plan (CERP) component of the Everglades program as part of design for the CERP features because the need to prove these technologies is central to the success of this restoration effort.

The budget proposes funding to initiate construction of the Washington, DC and Vicinity flood damage reduction project, which is one of the highest-return projects in the Nation. The initiation of this project is necessary to reduce the risk of flood damage to the museums on the National Mall, the Franklin Delano Roosevelt Memorial, and the World War II Memorial.

The budget also includes funding for an additional 44 construction projects. The funding is to continue work on contracts awarded before fiscal year 2006, and to ini-

tiate contracts in the instances of several beach nourishment projects to mitigate sand loss impacts due to the operation and maintenance of Federal navigation projects.

The amount budgeted for the construction and major rehabilitation of inland waterway projects, \$353 million, is the highest amount ever included in a Civil Works budget. This funding will help ensure the continued efficiency and reliability of the major locks and dams on the inland waterways system.

The budget proposes that 35 previously budgeted construction projects with lower returns be examined for possible suspension. The budget provides a suspension fund of \$80 million in the Construction account and a suspension fund of \$8 million in the MR&T account for these projects. Where it would be less costly to complete an ongoing contract, that course would be pursued. Otherwise, the contract would not be funded, and the suspension fund would be used to pay the Federal share of settled claims. Construction of the suspended projects could be restarted in the future, to the extent that they compete successfully for future funding based on their relative economic and environmental returns.

*Operation and Maintenance.*—The budget for operation and maintenance emphasizes essential operation and maintenance activities at key Corps facilities, including maintenance dredging and structural repairs. The program areas of navigation, flood control, hydropower, recreation, and natural resources management receive operation and maintenance funding. The overall budget for the Operation and Maintenance account is \$1.979 billion, the highest ever included in a Civil Works budget. The budget provides an additional \$157 million for operation and maintenance activities in the MR&T account, after a reduction for anticipated savings and slippages.

In general, the budget provides funding for “must-have” operation and maintenance activities at Civil Works facilities. These include operations and time-sensitive maintenance necessary for meeting performance objectives at important facilities, plus efforts to comply with Federal environmental and other mandates.

The budget continues the policy of establishing priorities for funding navigation maintenance based primarily on the extent to which a channel and harbor project or waterway segment supports high volumes of commercial traffic. The budget also funds channel and harbor projects that have low commercial traffic but support significant commercial fishing, subsistence, or public transportation benefits. Navigation operation and maintenance at other facilities is funded to support surveys and other caretaker activities.

The budget includes funding for an assessment of the economics and long-term policy options for navigation facilities with relatively low levels of commercial traffic. The study will identify the universe of Federal channel and harbor projects and inland waterways segments that support lower levels of commercial use, classify these projects based on the kinds of contributions that they make, develop methods to quantify the differences in their attributes, and examine possible criteria for determining when a continued investment in operation and maintenance would produce a significant net return to the Nation. The study also will formulate a range of possible long-term options for the funding and management of navigation projects with lower levels of commercial use, evaluate these options, and examine their applicability to the various types of such projects.

Since the events of September 11, 2001, the Civil Works program has received appropriations of \$362 million to provide facility protection measures that have recurring costs (such as guards), to perform assessments of threats and consequences at critical facilities, and to design and implement the appropriate “hard” protection at those critical facilities. The administration is continuing its commitment to facility protection in fiscal year 2006, with an allocation of \$72 million for facility protection in the Operation and Maintenance account. Of the \$72 million, about \$30 million is for recurring costs, about \$30 million is hard protection at operating projects, and \$12 million is included as a “remaining item” in the Operation and Maintenance account for recurring costs and hard protection at laboratory, administrative, and other facilities.

The budget includes \$20 million for an emergency maintenance reserve fund, from which the Assistant Secretary of the Army (Civil Works) would make allocations to meet high-priority, unexpected, and urgent maintenance needs at key facilities. When an unexpected emergency occurs under current practice, it is sometimes difficult to find the needed funds on a timely basis. The new arrangement will enable the Civil Works program to respond to these situations promptly, without interfering with other program commitments.

*Incorporating Performance Planning by Program Area*

The findings and recommendations of program evaluations using the Program Assessment Rating Tool (PART) informed budget decisions. To the extent that performance data were available, the Corps used this information during the budget development process to allocate funding.

The Corps also uses the PART to evaluate the performance of its program areas and determine whether they are achieving the desired results, and to improve the overall effectiveness and efficiency of these program areas. This year the recreation, storm damage reduction, and coastal channels and harbors program areas were assessed, and the hydropower program area was reassessed.

On March 22, 2004, the then-Chief of Engineers and I provided the Civil Works Strategic Plan to the committees and subcommittees of Congress responsible for water development authorizations and appropriations, including this subcommittee. That plan included an effort to suggest some program-specific goals, objectives, and performance measures, as well as some that are crosscutting.

Both the Civil Works Strategic Plan and the PART-based program evaluations are works in progress. As Civil Works programs are newly assessed and reassessed, the resulting findings will be addressed and recommendations implemented. Further, as new performance measures are identified and existing measures refined through the PART process, these changes will be reflected in the Strategic Plan through periodic updates.

To illustrate how the fiscal year 2006 budget for Civil Works reflects performance planning, I would like next to discuss the Regulatory Program and the Emergency Management program.

*Regulatory Program.*—The activities funded in the budget include permit evaluation, enforcement, oversight of mitigation efforts, administrative appeals, watershed studies, special area management plans, and environmental impact statements.

The recent performance assessment for this program concluded that it is moderately effective. Better efforts are needed to ensure compliance with permit conditions and mitigation requirements. The volume of permits is growing, and billions of dollars of investments are affected by permit processing times. One of my priorities for the Civil Works program is to improve the effectiveness of aquatic resource protection and the efficiency of permit reviews and decision-making.

For the regulatory program, the performance measures reflect a strong linkage between funding decisions and performance. The budget provides \$160 million, which is \$10 million more than included in the fiscal year 2005 budget, \$16 million more than the enacted amount for fiscal year 2005, and more than has been budgeted for the regulatory program ever before. This increase is needed and will enable the Army to improve protection of aquatic resources and reduce permit evaluation times.

*Emergency Management.*—The Emergency Management program includes work funded in the Flood Control and Coastal Emergencies (FCCE) account and the National Emergency Preparedness program, with FCCE comprising the bulk of the program. The FCCE account finances response and recovery activities for flood, storm, and hurricane events, preparedness for natural events, and preparedness to support to the Federal Emergency Management Agency through the Federal Response Plan.

The recent performance assessment of FCCE activities concluded that they are moderately effective, and should be funded at the average annual cost of doing business so as to improve program management and reduce the likelihood of having to borrow from other accounts or obtain supplemental appropriations when disaster events occur. Accordingly, the fiscal year 2006 budget includes \$70 million, which is approximately the amount that the Corps has spent in a typical year on flood and coastal storm emergency preparedness, response, and recovery activities.

FOUR PROPOSALS FOR PROGRAMMATIC CHANGES

Programmatic changes proposed in the budget include the following: the funding of beach nourishment and renourishment to address the impacts of navigation projects; replacement of continuing contracts with multi-year contracts; direct funding of hydropower operation and maintenance costs; and raising additional revenues to finance recreation modernization.

*Beach Renourishment*

This year the coastal storm damage reduction program area of the Army Corps of Engineers (Corps) was evaluated using the Program Assessment Rating Tool (PART). That evaluation addressed concerns with having a long-term Federal involvement in periodic beach renourishment, which ties up out-year funds that in

many instances could be invested in other projects that yield a greater return to the Nation. This finding supports a policy of not providing Federal funding for the costs of renourishment to replace sand lost due to ordinary, expected natural erosion. Therefore, the administration's view remains that non-Federal interests should be responsible for those costs once the initial nourishment has been accomplished, just as they operate and maintain other types of projects once the installation is complete.

The administration continues to support Federal participation in the initial phase of authorized beach nourishment projects for storm damage reduction and ecosystem restoration.

The budget also includes funding for beach nourishment and renourishment to mitigate sand loss impacts to shorelines due to the operation and maintenance of Federal navigation projects. The budget proposes that both the initial nourishment and renourishment phases be funded by Civil Works 100 percent, but only to the extent that they address the impacts of Federal navigation operation and maintenance. The budget also proposes that this Civil Works funding be derived from the Harbor Maintenance Trust Fund. The budget recommends enacting this proposal through appropriations language for the Construction account.

The Army will continue to participate financially in other coastal activities. These include the following: planning and design of coastal storm damage reduction and ecosystem restoration projects; deposition of dredged material from navigation projects on the adjacent shores when it is the least-cost, environmentally acceptable disposal method; one-time placements of dredged material for the beneficial use of storm damage reduction; and regional sediment management research.

The budget also provides funding to continue renourishment-related activities for the Westhampton Shores area of the Fire Island Inlet to Montauk Point, New York, project, as called for by a court order in the settlement of the case of *Rapf et al. vs. Suffolk County of New York et al.*

#### *Construction Contracting*

The budget proposes to replace the special continuing contract authorities of the Civil Works program with the authority to issue standard multi-year contracts, as are used elsewhere in the Federal Government. This change to multi-year contracting is needed to increase control over future contract costs, make more funding available in the out-years to complete Civil Works projects that have a high net return to the Nation, and subject contracting in the Civil Works program to the same rules and oversight that apply in other Federal agencies. The budget recommends enacting this proposal through an appropriations general provision.

Continuing contracts involve unfunded obligations that sometimes can be large. This long-term commitment to fund projects regardless of their relative performance has reduced the overall performance of the Civil Works program. In addition, under continuing contracts, contractors may accelerate their earnings, which increases the immediate cost to the government of the accelerated work performed and could lead to contract termination, inefficient progress on remaining work, or the deferral or slowdown of important work on other projects.

#### *Direct Financing of Hydropower Operation and Maintenance Costs*

In the past, the Congress generally has financed the operation and maintenance costs of Civil Works hydroelectric facilities from the General Fund, and the Federal power marketing agencies have repaid the Treasury for these costs from the revenues provided by ratepayers. The exception has been in the Pacific Northwest where, under section 2406 of the National Energy Policy Act of 1992, Public Law 102-486, the Bonneville Power Administration (BPA) has directly financed the costs of operating and maintaining the Corps' hydroelectric facilities from which it receives power. BPA funds have been used in this manner since fiscal year 1999.

Each year, Corps facilities experience unplanned outages around 3 percent of the time. In 1999, the General Accounting Office found that the Corps' hydropower facilities are more likely to experience unplanned outages as private sector facilities, because the Corps does not always have sufficient funds appropriated from the General Fund to schedule the needed preventive maintenance. To address this problem, the budget proposes that the Southeastern Power Administration, the Southwestern Power Administration, and the Western Area Power Administration finance hydropower operation and maintenance costs directly, in a manner similar to the mechanism used by Bonneville. The budget contemplates that these power marketing administrations, in consultation with the Corps, would make more funding available for hydropower operation and maintenance in order to provide economical, reliable power to their customers. Unplanned outages would be expected to decline over time.

The budget recommends enacting this proposal through appropriations language for the Operation and Maintenance account. The proposal, if enacted, would reclassify certain receipts collected by the power marketing agencies, and use the receipts to directly fund a category of expenses now being paid out of the General Fund.

#### *Recreation Modernization*

The fiscal year 2006 budget proposes a recreation modernization initiative for Civil Works recreation facilities, based on a promising model now used by other major Federal recreation providers such as the National Park Service and the Forest Service. The goal of the modernization initiative is to ensure that quality public outdoor recreation opportunities may be provided on Corps lands into the future.

The administration will propose legislation to allow the Corps to use additional fees and other revenues to upgrade and modernize recreation facilities at the sites where this money is collected. The legislation will include authority for the Corps to charge entrance fees and other types of user fees where appropriate.

Specifically, the Corps would use the additional collections above a \$37 million per year baseline to improve the Corps recreation program. This will give the Corps staff who manage Civil Works recreation facilities a stronger incentive to collect fees and develop other sources of revenue. I would expect that the people who enjoy recreation at Corps facilities will support this proposal as well, since they will know that the additional money would be used to improve the program.

In conjunction with the proposed legislation, the Corps will focus on the following areas of interest: adjustments to fees and user charges under existing authority; new planning, financing, and management partnerships with local units of government such as Lake Improvement Districts; and expanded cooperation with local volunteers, other stakeholders, and interest groups. Demonstration projects in urban areas will be investigated, and the six demonstration projects initiated in fiscal year 2005 will be continued.

#### MANAGEMENT AND OVERSIGHT

The Assistant Secretary of the Army (Civil Works) oversees Civil Works budget and policy. Corps executive direction and management of the Civil Works program are funded from the General Expenses account. The President's Management Agenda is the centerpiece of the Army's and the Corps' efforts to improve the effectiveness of program management.

#### *Office of the Assistant Secretary of the Army for Civil Works*

Congress funded the Assistant Secretary's office from Energy and Water Development appropriations for the first time in fiscal year 2005. The budget proposes that the Assistant Secretary's office be funded from the Operation and Maintenance, Army account in defense appropriations, as had been the custom until fiscal year 2005. The reasons are that the Assistant Secretary, as an advisor to the Secretary of the Army, has some oversight responsibilities outside the purview of the Subcommittee on Energy and Water Development, and the Assistant Secretary's office is a part of the Army headquarters, where many expenses are centrally funded and managed.

#### *General Expenses*

Funding budgeted for the General Expenses account is \$162 million. These funds will be used for executive direction and management activities of the Corps headquarters, the Corps division offices, and related support organizations that pertain to Civil Works.

Audit activities will be financed by the Revolving Fund rather than under General Expenses. The fiscal year 2005 budget and enacted amount of \$167 million includes \$7 million for an audit of the Civil Works financial statements by the Department of Defense Inspector General. Financial audit activities formerly were carried out by the Army Audit Agency (AAA) using its own funding, but under new General Accounting Office auditing standards the AAA is not sufficiently independent of the Corps to conduct this audit. The balance statement audit being performed in fiscal year 2005 includes extensive review of historical data to remedy findings of the Inspector General. This type of review is appropriate for funding from the General Expenses account and is expected to be completed with the fiscal year 2005 funds. The costs of annual audits beginning in fiscal year 2006 will be considered normal costs of doing business and, as such, will be financed from the Revolving Fund and appropriately distributed to the appropriation accounts.

*President's Management Agenda*

The Civil Works program is making progress on the President's Management Agenda. Like many agencies, the Corps of Engineers started out in 2002 with "red" ratings across the board.

The Civil Works program is striving to attain "green" or "yellow" status scores for most initiatives by July 2005. For the human capital initiative, significant progress is expected in reducing hiring time lags and integrating the accountability system into decisions. For competitive sourcing, the Corps has two ongoing competitions and is conducting preliminary planning for three more. For financial management, no change in status is expected until audit issues have been resolved and historical data have been collected. For e-government, efforts are underway to establish an effective Enterprise Architecture, adhere to cost and schedule goals, secure currently unsecured information technology systems, and implement applicable e-government initiatives. For integration of budget and performance, efforts are under way to prepare additional program assessments and reassessments, to improve performance measures, and to begin to use performance information in short-range decision processes. For real property asset management, the goal is to develop and obtain approval of an asset management plan, an accurate and current asset inventory, and real property performance measures.

I am confident that this work on the President's initiatives will yield greater program efficiency and effectiveness in the years to come.

CONCLUSION

In his State of the Union Address of February 2, 2005, the President underscored the need to restrain spending in order to sustain our economic prosperity. As part of this restraint, it is important that total discretionary and non-security spending be held to levels proposed in the fiscal year 2006 budget. The budget savings and reforms in the budget are important components of achieving the President's goal of cutting the budget deficit in half by 2009, and we urge Congress to support these reforms. The fiscal year 2006 budget includes more than 150 reductions, reforms, and terminations in non-defense discretionary programs, one of which affects the Civil Works program, specifically, the Civil Works construction program: the adoption of performance guidelines and reduction in funding compared to fiscal year 2005 enacted amounts. The Army wants to work with the Congress to achieve these savings.

The fiscal year 2006 budget for the Army Civil Works program was developed using the modern management concept of performance-based budgeting, in line with the President's management principles.

At \$4.513 billion, this is the highest Civil Works budget in history. Specifically, the amounts for construction, operation and maintenance, and the Regulatory Program are the highest ever submitted to Congress.

Nonetheless, the budget reflects explicit choices based on performance, particularly insofar as funding is targeted for high performing studies, design, and construction, and for areas where additional funding can make a real difference such as in the emergency management program and the regulatory program.

As I have testified before, I have three priorities in mind for the Civil Works program. One priority is to develop the Civil Works budget and manage the program based on objective performance measures. My second priority is to improve the analytical tools that we use for water resources planning and decision-making, and my third priority is to improve the effectiveness and efficiency of the regulatory program. This budget contributes to the advancement of all three goals.

The Army Civil Works budget for fiscal year 2006 will enable the Civil Works program to move ahead with many important investments that will yield good returns for the Nation in the future.

Thank you, Mr. Chairman and members of the subcommittee, for this opportunity to testify on the President's fiscal year 2006 budget for the Civil Works program of the Army Corps of Engineers.

ATTACHMENT 1

DEPARTMENT OF THE ARMY—CORPS OF ENGINEERS—CIVIL WORKS BUDGET, FISCAL YEAR 2006

	Amount
Requested New Appropriations by Account:	
General Investigations .....	\$95,000,000
Construction .....	1,637,000,000

DEPARTMENT OF THE ARMY—CORPS OF ENGINEERS—CIVIL WORKS BUDGET, FISCAL YEAR  
2006—Continued

	Amount
Operation and Maintenance .....	1,979,000,000
Regulatory Program .....	160,000,000
Flood Control, Mississippi River and Tributaries .....	270,000,000
General Expenses .....	162,000,000
Flood Control and Coastal Emergencies .....	70,000,000
Formerly Utilized Sites Remedial Action Program .....	140,000,000
<b>TOTAL .....</b>	<b>4,513,000,000</b>
Requested New Appropriations by Business Program:	
Commercial Navigation .....	1,796,000,000
Channels and Harbors .....	(882,000,000)
Inland Waterways .....	(914,000,000)
Flood and Coastal Storm Damage Reduction .....	1,085,000,000
(Flood Damage Reduction) .....	(998,000,000)
(Coastal Storm Damage Reduction) .....	(87,000,000)
Environment .....	716,000,000
(Aquatic Ecosystem Restoration) .....	(483,000,000)
(FUSRAP) .....	(140,000,000)
(Natural Resources) .....	(93,000,000)
Hydropower .....	249,000,000
Recreation .....	268,000,000
Water Supply .....	2,000,000
Emergency Management .....	75,000,000
Regulatory Program .....	160,000,000
Executive Direction and Management .....	162,000,000
<b>TOTAL .....</b>	<b>4,513,000,000</b>
Sources of New Appropriations:	
General Fund .....	3,436,000,000
Harbor Maintenance Trust Fund .....	674,000,000
Inland Waterways Trust Fund .....	184,000,000
Special Recreation User Fees .....	37,000,000
Disposal Facilities User Fees .....	1,000,000
Power Marketing Administration Direct Funding .....	181,000,000
<b>TOTAL .....</b>	<b>4,513,000,000</b>
Additional New Resources:	
Rivers and Harbors Contributed Funds .....	445,000,000
Coastal Wetlands Restoration Trust Fund .....	61,000,000
Permanent Appropriations .....	18,000,000
<b>TOTAL .....</b>	<b>524,000,000</b>
<b>Total New Program Funding .....</b>	<b>5,037,000,000</b>

ATTACHMENT 2.—DEPARTMENT OF THE ARMY—CORPS OF ENGINEERS—CIVIL WORKS  
BUDGET, FISCAL YEAR 2006

PERFORMANCE BUDGETING GUIDELINES FOR CIVIL WORKS CONSTRUCTION

1. *Funding distribution and project ranking.*—(a) All ongoing construction projects, including those not previously funded in the budget, will be classified as being primarily in one of the following program-based categories: Coastal Navigation; Inland Navigation; Flood Damage Reduction; Storm Damage Reduction; Aquatic Ecosystem Restoration; or All Other (including the major rehabilitation of existing commercial navigation, flood damage reduction, and hydropower facilities). (b) At least 70 percent of the construction budget will be allocated to projects in the first four of these categories. At least 5 percent of the construction budget will be allocated to “all other” work. The funding allocated for the construction of aquatic ecosystem restoration projects will not exceed 25 percent of the budget in the construc-

tion program. Changes to these percentages are, however, permitted under the seventh guideline. (c) Projects in all categories except aquatic ecosystem restoration will be ranked by their remaining benefits divided by their remaining costs (RBRC). All RBRCs will be calculated using a 7 percent real discount rate, reflect the benefits and costs estimated in the most recent Corps design document, and account for the benefits already realized by partially completed projects. Aquatic ecosystem restoration projects will be ranked primarily based on the extent to which they cost-effectively address a significant regional or national aquatic ecological problem. (d) Dam safety, seepage, and static instability projects will be treated separately. They will receive the maximum level of funding that the Corps can spend efficiently in each fiscal year, including work that requires executing new contracts.

2. *Projects with very high RBRCs.*—The budget will provide funds to accelerate work on the projects with the highest RBRCs within each category (or the most cost-effectiveness in addressing a significant regional or national aquatic ecological problem, for aquatic ecosystem restoration). Each of these projects will receive not less than 80 percent or the maximum level of funding that the Corps can spend efficiently in each fiscal year, including work that requires executing new contracts.

3. *New starts and resumptions.*—The budget will provide funds to start new construction projects, and to resume work on projects on which the Corps has not performed any physical construction work during the past 3 consecutive fiscal years, only if the project would be ranked in the top 20 percent of the ongoing construction projects in its category that year and appears likely to continue to qualify for funding as a project with very high RBRC under the second guideline thereafter.

4. *Continuing contracts.*—Except for projects considered for deferral, the budget will continue to support work under continuing contracts executed prior to 2006. From 2006 onward, the Corps will issue contracts based only on the kinds of authorities that are available to other Federal agencies. All new contracts will include clauses to minimize termination penalties, cap cancellation fees, and ensure that the Corps is able to limit the amount of work performed under each contract each year to stay within the overall funding provided for the project during the fiscal year. The Corps will also reduce out-year funding commitments by using contracts whose duration is limited to the period needed to achieve a substantial reduction in costs on the margin.

5. *Lower priority projects.*—All projects with an RBRC below 3.0 will be considered for deferral, except for aquatic ecosystem restoration projects. Aquatic ecosystem restoration projects that do not primarily address a significant regional or national aquatic ecological problem and are less than 50 percent complete will be considered for deferral, except for those that are highly cost-effective in addressing such problems. Where a project considered for deferral was previously funded, the budget will cover the cost of terminating or completing each ongoing contract, whichever is less.

6. *Redirection of funding.*—Any budget year and all future year savings from the suspension of ongoing construction projects, after covering the cost of termination or completing ongoing contracts, will be used to accelerate projects with high RBRCs. The savings will be allocated to the projects with the highest RBRCs and the highest environmental returns in the construction program.

7. *Ten percent rule.*—The budget may allocate up to a total of 10 percent of the available funding to ongoing construction projects regardless of the requirements stated above. However, this may not be used to start or resume any new projects.

Senator BOND. Thank you Mr. Woodley. Lieutenant General Strock.

#### STATEMENT OF LIEUTENANT GENERAL CARL STROCK

General STROCK. Mr. Chairman and distinguished members of the committee. I too am honored to testify here before you today, along with Mr. Woodley and my colleagues from the U.S. Army Corps of Engineers on the President's fiscal year 2006 Budget for the Army Civil Works Program.

This budget is a performance-based budget that reflects the realities of the national budget supporting the global war on terror. This budget focuses construction funding on 47 projects that will provide the highest returns on the Nation's investment, plus 14 dam safety projects.



Funds will be used for critical water resources infrastructure that improves the quality of our citizens' lives and provides a foundation for national economic growth and development. The budget incorporates performance-based metrics for continued efficient operation of the Nation's waterborne navigation, flood protection, and other water resource management infrastructure, fair regulation of wetlands, and restoration of important environmental resources, such as the Florida Everglades, the Upper Mississippi River, and Coastal Louisiana. It also improves the quality of recreation services through stronger partnerships and modernization.

This budget provides approximately \$48.9 million to complete 13 projects by the end of 2006. And as part of a comprehensive strategy to reduce the construction backlog, the fiscal year 2006 budget funds 44 other projects that provide high returns and are consistent with current policies.

In all, 105 projects are funded so that we can provide benefits to the Nation sooner. The fiscal year 2006 budget includes \$2.142 billion for the Operations and Maintenance program. And I can assure you that I will continue to do all I can to make these programs as cost effective as possible.

The Corps is undergoing sweeping transformational changes as a result of our customer and stakeholder input. We have implemented USACE 2012 within the Corps, becoming a major team, and our business processes are now focused on eight Corps regional business centers to more efficiently serve the public and the armed forces.

We continue to strengthen our management of resources, streamline our planning processes, and invite the involvement of other Federal, State, tribal, and local agencies sponsors, and interested organizations to participate early in the planning process to ensure concerns are addressed up front rather than at the end of the process.

The Corps continues to strengthen its regulatory program, to ensure that Wetland mitigation is effective in retaining the quantity, quality and functions of those critical resources. We also look to continue the use of external independent review on major Corps project studies to help ensure those studies sufficiently address national economic and environmental concerns.

Domestically, more than 2000 USACE volunteers from around the Nation responded to the call to help their fellow citizens when four hurricanes struck the southeast last fall, and again after this winter's heavy rains across the Nation. Corps dams, levees and reservoirs provided billions of dollars in flood damage reduction to protect lives, homes and businesses. The Corps has played an integral part in the global effort to provide relief to the victims of the massive tsunamis triggered by the December 26 earthquake off the coast of Indonesia.

Corps engineers from the Engineering Research and Development Center in Vicksburg, Mississippi, three Forward Engineering Support Teams from Japan, Alaska and Arkansas, and the Corps 249th Prime Power Battalion were sent to help in the area's recovery and we're presently supporting the U.S. Agency for International Developments and their continuing recovery efforts.

Finally the Corps' Civil Works experience is proving invaluable as soldiers and civilians with the Corps of Engineers help to rebuild infrastructure in Iraq and Afghanistan. Approximately 600 civilian members are currently serving in Afghanistan and Iraq, sharing their knowledge and expertise with local engineers and other professions. To date over 3,000 Corps civilians have volunteered and served in the theater of operations, sharing the dangers and hardships of the soldiers that they support.

#### PREPARED STATEMENT

Almost as important, we're using technology in support of our deployed team members with the full capability of our organization.

So in closing, the Corps is committed to selflessly serving the Nation. I truly appreciate your continued support to this end. Thank you Mr. Chairman, members of the committee; this concludes my statement.

[The statement follows:]

#### PREPARED STATEMENT OF LIEUTENANT GENERAL CARL STROCK

##### INTRODUCTION

Mr. Chairman and distinguished members of the subcommittee, I am honored to be testifying before your subcommittee today, along with the Principal Deputy Assistant Secretary of the Army (Civil Works), the Honorable John Paul Woodley, Jr., on the President's fiscal year 2006 budget for the United States Army Corps of Engineers' Civil Works Program.

My statement covers the following 5 topics:

- Summary of fiscal year 2006 Program Budget,
- Civil Works Construction Backlog,
- Civil Works Program Transformation,
- Value of the Civil Works Program to the Nation's Economy, and
- Value of the Civil Works Program to the Nation's Defense.

##### SUMMARY OF FISCAL YEAR 2006 PROGRAM BUDGET

##### *Introduction*

The Fiscal Year 2006 Civil Works Budget is a performance-based budget that reflects the realities of a national budget supporting the war on terror while cutting the deficit in half. The Corps used performance based criteria in developing this budget, which resulted in a focus on the projects and activities that provide the highest-net economic and environmental returns on the Nation's investment. The Civil Works Program, including the Direct and Reimbursed programs, is expected to approach \$6.037 billion.

Direct Program funding, including discretionary and mandatory funding appropriated directly to the Corps, totals \$5.037 billion. Discretionary funding, plus the direct funding of hydropower operation and maintenance expenses totals \$4.513 billion; additional mandatory funding totals \$524 million.

Reimbursed Program funding is projected to be \$1 billion.

##### *Direct Program*

The budget reflects the administration's commitment to continued sound development and management of the Nation's water and related land resources. It incorporates performance-based metrics for continued efficient operation of the Nation's navigation, flood protection, and other water resource management infrastructure, fair regulation of the Nation's wetlands, and restoration of the Nation's important environmental resources, such as the Florida Everglades, the Upper Mississippi River, and Coastal Louisiana. It also improves the quality of recreation services through stronger partnerships and modernization.

The budget emphasizes funding for 61 projects including 14 dam safety, seepage correction, and static instability projects. Funding for 47 projects will provide the highest-net economic and environmental returns on the Nation's investment. Nine of the 47 projects are identified as national priorities. The 47 projects include a new construction start, Washington DC and Vicinity, to reduce the risk of flood damages

to the museums on the National Mall, the Franklin Delano Roosevelt Memorial, and the World War II Memorial. There are also 3 new studies under the General Investigations (GI) program and 1 under the Mississippi River and Tributaries (MR&T) program.

#### *Reimbursed Program*

Through the Interagency and Intergovernmental Support Program we help non-DOD Federal agencies, State, and other countries with timely, cost-effective implementation of their programs, while maintaining and enhancing capabilities for execution of our Civil and Military Program missions. These customers rely on our extensive capabilities, experience, and successful track record. The work is principally technical oversight and management of engineering, environmental, and construction contracts performed by private sector firms, and is fully funded by the customers.

Currently, we provide reimbursable support for about 60 other Federal agencies and several State and local governments. Total reimbursement for such work in fiscal year 2006 is projected to be \$1 billion. The largest share—nearly \$388 million—is expected from the Federal Emergency Management Agency (FEMA) for hurricane disaster relief. These numbers represent an update to the President's Budget using the Corps internal Consolidated Civil Automated Budget accounting system.

#### CIVIL WORKS CONSTRUCTION BACKLOG

The budget addresses the construction backlog primarily by proposing that the administration and the Congress use objective performance measures—the ratio of remaining benefits to remaining costs or, for aquatic ecosystem restoration projects, the extent to which the project cost-effectively addresses a significant regional or national ecological problem—to establish priorities among projects including potential new starts, and through a change in Corps contract authorities that would increase control over future costs. While up to 10 percent of the available funds could be allocated to any project under construction regardless of performance, a greater proportion of the resources would be allocated to the projects that the Corps estimates will yield the highest returns. Over time, this approach would significantly improve the benefits to the Nation from the Civil Works construction program.

This Budget includes \$48.9 million to complete 13 projects (including 1 MR&T project) by the end of 2006. The figures are an update to the President's Budget contained in the main volume. This investment will enable each of these projects to begin delivering benefits. In all, 105 projects are funded. There are 47 projects that provide the highest-net economic and environmental returns on the Nation's investment, 14 dam safety, seepage correction, and static instability correction projects, and 44 ongoing construction projects.

We believe that narrowing the focus on funding and completing a smaller, more beneficial set of projects will bring higher net benefits to the Nation sooner. That is why the Budget proposes only one new, high priority construction start and accelerates completion of the highest-return projects in each program area.

#### *Maintenance Program*

Water and related land resource management facilities of the Civil Works Program are aging. As stewards of this infrastructure, we are working to ensure that it continues to provide an appropriate level of service to the Nation. Sustaining such service poses a technical challenge in some cases, and proper operation and maintenance, also is becoming more expensive as this infrastructure ages.

The operation and maintenance program supports the operation, maintenance and security of existing river and harbor, flood and storm damage reduction and, aquatic ecosystem restoration, owned and operated by, or on behalf of, the Corps of Engineers, including administrative buildings and laboratories. Funds are also included for surveys and charting of northern and northwestern lakes and connecting waters, clearing and straightening channels, and removal of obstructions to navigation. Work to be accomplished includes dredging, repair, and operation of structures and other facilities, as authorized in the various River and Harbor, Flood Control, and Water Resources Development Acts. Related activities include aquatic plant control, monitoring of completed coastal projects and, removal of sunken vessels.

In both the Operation and Maintenance and the Mississippi River and Tributaries accounts the fiscal year 2006 budget includes a total of \$2.142 billion for operation and maintenance. To improve the efficiency of the investment in operation and maintenance, we will give priority to key features of our infrastructure and determine an appropriate level of service for others, considering the benefits to the Nation and the funding needed to support that level of service. Furthermore, we are

searching for ways to reduce costs and thereby accomplish more with available resources.

#### CIVIL WORKS PROGRAM TRANSFORMATION

Throughout its long history, the Civil Works Program has continually changed in response to advances in science, methods, and processes, changing public values and priorities, and laws. For our program to remain a viable contributor to national welfare, we must remain sensitive to such factors, and continue to reorient, rescope, and refocus the program in light of them. To that end, I am committed to reforming the Civil Works Program to meet the Nation's current water and related land resource management needs.

The recently implemented USACE 2012 creates a team of teams within the organization. Our business processes are now being led by a business center within each of the eight Corps regions, in order to more efficiently serve the public and the armed forces. Our processes are more open and more collaborative. We are working to revitalize our planning capabilities to become more efficient, more centralized, with one planning center for each of our eight divisions.

We continue to strengthen and streamline our planning processes, and to invite the involvement of other Federal, tribal, State and local agencies, sponsors, and interested parties to participate early in the planning process to ensure concerns are addressed up front rather than at the end of a plan.

The Corps Regulatory Program is working to achieve our goal of "no net loss of wetlands", through measures that avoid and minimize impacts and by requiring effective mitigation to replace the functions of these critical resources, while making timely permit decisions.

We also look to continue the use of external independent review on major Corps project studies where appropriate, to help ensure they are technically sound and properly address national economic and environmental concerns.

Let me tell you about some of the major steps we took last year:

- We are continuing to spread the spirit and the word of the Corps' Environmental Operating Principles—a clear commitment to accomplishing our work in environmentally sustainable ways—with the express purpose of instilling the principles as individual values in all members of the Corps team.
- The Corps of Engineers and the Office of the Assistant Secretary of the Army for Civil Works have allocated additional resources to strengthen our internal review capabilities, and are considering other measures to further improve such capability. With our restructuring under USACE 2012, we have created an Office of Water Project Review in our Headquarters which effectively doubled the size of our policy compliance review staff. The goal is to have our economists, plan formulation specialists, and environmental reviewers focus on early involvement in study development to assure compliance with established policy as projects are being developed. I am committed to working with field commanders to provide training, lessons learned and other tools to strengthen the policy compliance quality control/quality assurance process.
- We completed a Civil Works Strategic Plan that emphasizes the sustainable development, management and protection of our Nation's water and related land resources. This Strategic Plan is a work in progress, and will be updated as performance measures and objectives are developed and refined.
- We established five national planning centers of expertise staffed with some of our top engineers and scientists—a step that is essential for successfully addressing the issues that increasingly arise in planning a water resources project, especially those that are costly, complex, or controversial, or which otherwise require very specialized planning work.
- I believe we have made progress on the President's Management Agenda this year, particularly in the area of Budget and Performance Integration. Specifically, we used objective criteria to establish priorities for allocating funds among projects in order to increase the overall net economic and environmental return to the Nation from our construction and general investigations programs.

We are committed to change that leads to open and transparent modernization of the Civil Works Program. To this end, we are committed to continuing the dialogue with you and your staff. I have issued communication principles to ensure open, effective, and timely two-way communication with the entire community of water resources interests. We know well that we must continue to listen and communicate effectively in order to remain an effective origination.

#### VALUE OF THE CIVIL WORKS PROGRAM TO THE NATION'S ECONOMY AND DEFENSE

We are privileged to be part of an organization that directly supports the President's priorities of winning the global war on terror, securing the homeland and contributing to the economy.

##### *The National Welfare*

Water resources management infrastructure has improved the quality of our citizens' lives and supported the economic growth and development of this country. Our systems for navigation, flood and storm damage reduction projects, and efforts to restore aquatic ecosystems contribute to our national welfare.

Domestically, more than 2,000 USACE volunteers from around the Nation responded to the call to help their fellow citizens when four hurricanes struck Florida and the rest of the Southeast this last fall.

Similarly, during this winter's heavy rains across parts of the Nation—Corps dams, levees and reservoirs operated as designed to flood damages and protect lives, homes and businesses.

##### *Research and Development*

Civil Works Program research and development provides the Nation with innovative engineering products, some of which can have applications in both civil and military infrastructure spheres. By creating products that improve the efficiency and competitiveness of the Nation's engineering and construction industry and providing more cost-effective ways to operate and maintain infrastructure, Civil Works Program research and development contributes to the national economy.

##### *The National Defense*

The Civil Works Program is a valuable asset in support of Homeland Security in that it helps to maintain a trained engineering workforce, with world-class expertise, capable of responding to a variety of situations across the spectrum of our operations. This force is familiar with the Army culture and responsive to the chain of command. Skills developed in managing large water and land resource management projects transfer to most tactical engineering-related operations. As a byproduct, Army Engineer officers assigned to the Civil Works Program receive valuable training in managing large projects.

The Corps of Engineers continues to contribute to the ongoing global war on terror, as our civil works experience proves invaluable in restoring and rebuilding the infrastructure of Iraq and Afghanistan. More than 3,000 civilians have voluntarily deployed and approximately 600 are currently serving along with soldiers to provide engineering expertise and quality construction management in these nations.

In Iraq, the Gulf Region Division has overseen the initiation of more than 2,000 reconstruction projects valued at over \$4 billion. More than 500 projects are complete. These projects provide employment and hope for the Iraqi people. They are visible signs of progress.

In Afghanistan, the Corps is spearheading a comprehensive infrastructure program for the Afghan national army, and is also aiding in important public infrastructure projects.

The Corps has also played an integral part in the global effort to provide relief to the victims of the massive tsunamis triggered by the Dec. 26 earthquake off the coast of Indonesia. Corps engineers from the Engineering Research and Development Center in Vicksburg, Mississippi, three Forward Engineering Support Teams from Japan, Alaska, and Arkansas, and the Corps 249th Primary Power Battalion were sent to help in the area's recovery.

##### *Homeland Security*

In addition to playing an important role in supporting the global war on terror, we are providing security for physical infrastructure owned or operated by the Corps throughout the Nation, based on risk assessment at each of our critical facilities. The Corps is also a member of the National Response Plan team with proven experience in support of disaster response.

The Civil Works Program has completed over 300 security reviews and assessments of our inventory of locks, dams, hydropower projects and other facilities. We have improved our security engineering capability and prioritized infrastructure and are currently implementing recommended features at the highest priority security improvement projects.

For fiscal year 2006, \$72 million is targeted for recurring security costs and security enhancements at key Corps facilities. Facility security systems can include cameras, lighting, fencing, structure hardening, and access control devices designed to improve detection and delay at each facility.

## CONCLUSION

The Corps of Engineers is committed to staying at the leading edge in service to the Nation. In support of that, we are working with others to transform our Civil Works Program. We're committed to change that leads to open, transparent modernization, and a performance-based Civil Works Program.

Thank you, Mr. Chairman and members of the committee. This concludes my statement.

Senator BOND. Thank you very much General Strock. Do we have a timing device available? Well I will try to be judicious. First Mr. Woodley, I would be interested in knowing how the Corps budget was formulated this year. And I'm aware of the President, without getting yourselves in trouble. Can you generally explain the challenges you face in the field because of tight budgets in recent years, Mr. Woodley, first?

Mr. WOODLEY. Absolutely, yes, sir, Mr. Chairman. The budget this year was a continuation of our efforts of the past 2. That began really with the submission for the Fiscal Year 2005 budget to inaugurate, or incorporate, performance based principles based on the business lines within our program. Those are the broad mission areas, such as navigation, flood control and the like. The test that was used—what we set for those—was a set of performance metrics. In the construction arena, for example, that was based largely on our analysis of the benefit-cost ratio for each ongoing construction activity.

Now, that of course does not apply in the area of ecosystem improvement and restoration. So we were unable to take that to one side, but in the other areas in which we were able to do cost-benefit analysis we wanted to fund those best performing projects. What we had found in the past had been that we had numerous projects ongoing, and insufficient funding to continue all of our projects at an efficient level. And so what we had was a constant effort to keep a large number of projects going at a very inefficient level, constantly pushing the time of their completion out into the out-years and therefore delaying the reaping of the benefits for the public. Instead of doing that, we asked this year that the constructions funds be strictly prioritized by remaining cost to remaining benefit, and that is a measure that takes into account the benefits that are yet to be gained from the project compared to the remaining costs that are needed to be invested to reap those benefits. So the idea is, we want the best bang for the buck, in each individual project.

Now our difficulty there, of course, is that when we fund those projects that are best performing at efficient levels, we have to necessarily suspend, or in some cases terminate, some worthy and fully justified and good projects, Mr. Chairman. We have to leave them on the table.

Senator BOND. Are there penalties assessed with those cancellations and deferments?

Mr. WOODLEY. In many cases there would be. Although we would seek to manage the draw down of those and the wind down of those, to certainly minimize those penalties as much as we possibly can. You're exactly right, Mr. Chairman. You put your finger right on it.

Senator BOND. Are there reprogramming restrictions that are not sufficiently flexible that may cause some problems? I would ask

both of you to comment very briefly on that. Do you need more flexibility in reprogramming?

Mr. WOODLEY. I would say that the way our program—or the way that construction in the construction arena and also in the operations and maintenance arena—that reprogramming flexibility is a very important part of our ability to manage day to day. And I would certainly ask the Chief to chime in on that.

Senator BOND. General, do you have any comment on that?

General STROCK. Yes sir. It certainly is very important for us to be able to move the resources available around and to be able to manage this as a national program. Sir, I feel the guidance in last year's budget was sufficient; it is clear and we're complying with that guidance and we're not having any problems with that, sir.

Senator BOND. Yesterday gentlemen, the nominee to be Deputy Secretary of Agriculture testified before the Agriculture Committee, where Senator Talent asked him if he would be an advocate in the administration for modernizing our Mississippi and Illinois river lots. His response was—this is from the to-be-confirmed Deputy Secretary. He said, I will. It is not just important Senator it is absolutely essential. If we flat out have to get our agriculture commodities out of the Midwest down to New Orleans to a point of export, where we're absolutely dead in the water. So I will be an advocate of that within the administration, I assure you.

When we get him confirmed you should have a partner, and I trust they will use him. If he doesn't meet that commitment I will be calling him, and I will be calling you, if I make myself clear. At this point I will turn under the Early Bird Rule to Senator Craig.

Senator CRAIG. Mr. Chairman thank you. And gentlemen thank you very much for being with us today. There are several issues that I would like to take up with you, especially with you Secretary Woodley today.

The first issue is one that I pursued for over a year with your agency. It is the issue of energy infrastructure reform. As I made clear to the Corps the last time we met in this room there is a growing concern about the natural gas infrastructure in the country. The market for natural gas has grown considerably. Its pricing is creating substantial dislocation in our economy at this moment. And that is particularly true in the northeast. This is a western Senator but senior member on the Energy Committee. Clearly, new pipeline construction is critical no matter where it is proposed.

FERC is the agency jurisdictionally responsible for reviewing and approving natural gas pipeline construction in the United States. As we expressed to you last year Mr. Secretary, the pipeline construction process that FERC—at FERC is complicated. It has become even more so because other agencies like the Corps are also involved in the pipeline construction process, and bringing their own understanding of purpose and need for the project.

One example used to portray the dysfunction of the current process is the extraordinary length of time it has taken to get a Corps Section 404 permit for the Islander East project in the northeast. FERC issued the certificate of construction for the line over 2 years ago, and today still, no permit has been issued by the Corps. Under any set of facts, that in my opinion is simply unacceptable. And there are other examples. But frankly, I don't have to describe

them today, because of something you most recently did and I want to thank you very much for that action Mr. Secretary, though it has taken too long to get there.

Mr. Secretary I do believe that what you've issued on April 14 moves us in right direction, and I'm speaking to the 2005 memorandum for Director of Civil Works. And I want to thank you again for taking that action. Let me just for a moment ask you a question about a statement in the memo.

The memo states first that the Federal lead NEPA agency has the authority for, and the responsibility to define the purpose and need under NEPA. And second that the Corps will defer to the maximum extent allowable by law to the project purpose, project need and project alternatives that FERC determines to be appropriate for the project. Can you envision any instance where the Corps would not accept the determination by FERC, an agency that possesses energy expertise of what the need and the purpose of the project would be and the appropriate alternatives?

Mr. WOODLEY. Senator, it would be difficult for me to imagine such a thing. That language is in there because advisedly, because I have on my staff numerous and very capable and learned attorneys—and I speak as one myself—whose imaginations are far more fertile than mine has been able to be in this area. So they wrestled me to the ground and made me put that language in there. I can't imagine it—how it would get—how you get the thing from FERC that was the agency responsible for Federal energy policy and that it would not adequately and appropriately state the purpose and need in line with the Nation's energy needs in this arena.

Senator CRAIG. Well, let's work on that a little bit.

Mr. WOODLEY. I don't know how I would go about imagining it.

Senator CRAIG. If so, and I'm talking about what those fertile minds might conceive, what do you think would dictate those circumstances? And if not, what would keep the Corps from developing an MOU with FERC, deferring to FERC in these areas?

Mr. WOODLEY. Senator I can say that we have been working with FERC on an MOU since shortly after we met in this room last year. I called Chairman Wood—we had an excellent conversation about the parameters of the problem and the things that needed to be brought to bear in this area, and why some of the actions of some of our District offices were taken, were causing impediments in the development in the Nation's energy resources and infrastructure.

I began with him at that time a process that has led to the exchange of drafts. His group that does this would do a draft, my group would do a draft. We said why don't we do it this way, why don't we do it that way. There were some delays in meetings between each draft. They had their preferred approach, we had ours. I can only say that I expect an MOU is in our future. My feeling was that an MOU is an excellent thing. We have MOU's with FERC in other arenas. We have some that, I think, would even be useful in this arena, but my thought was that the time had come to state as a matter of Corps regulatory policy what the appropriate rule should be, and that is what I did in the memorandum that you have.



Senator CRAIG. Well I guess in looking at all of this and trying to grab the totality of it, if there's any reason that you may not be able to meet the time frames that FERC needs in authorizing energy infrastructure when they have the entire project to consider and you have the aspect of the project, like wetlands, I can't understand why you all can't come to an understanding that divides up that authority. You have responsibility, I don't dispute that. But I can't in anyway possibly imagine why it takes you 2+ years, to do something that they did in substantially less time.

Mr. WOODLEY. In the case you described I believe that we were not following the concept that I've laid out in the memorandum.

Senator CRAIG. I believe that's correct.

Mr. WOODLEY. And I believe that was the particular sticking point. I certainly agree with you that that is not acceptable and that our regulatory process needs should dovetail with the FERC's process, and that is our goal. And that is what I have discussed with Chairman Wood.

Senator CRAIG. I have some more questions. But for the sake of time and fairness, we have a crew here.

Senator BOND. Thank you Senator Craig, we have a good turnout for this day and we want to move on, and we would call on Senator Johnson, after I congratulate him on winning the March of Dimes Gourmet Gala competition last night, even though he beat out one of my favorite recipes. I won't hold it against you, much.

Senator Johnson.

Senator JOHNSON. Thank you Mr. Chairman, and I would like to claim great credit for my wife's work on South Dakota buffalo chili. I would have to concede that the best of show award however is due to her work and not mine. I helped to dish it out and that is about the extent of my effort.

I have only one question that I in particular want to ask in this hearing, in this case Mr. Woodley. We have, as Mr. Woodley knows we have an absolute crisis in South Dakota right now, particularly affecting the Cheyenne River Indian Reservation and some 14,000 individuals in that region. The looming crisis we have has to do with the Mni Waste drinking water intake in the Oahe reservoir, and the Oahe reservoir being of course one of the impoundments of the Missouri River that flows adjacent to the Cheyenne River Indian Reservation.

As you know the entire basin is in severe drought, the mountain snow pack and precipitation less than 50 percent of normal. In August the water level elevation in the Oahe reservoirs is projected to be at an all time record low. The low water level poses an extraordinary threat to the Mni Waste water intake at Eagle Butte South Dakota.

Members of this reservation and surrounding communities receive virtually all of their drinking water from that water intake. The Corps of Engineers is completing a PIR to identify solutions should water levels continue to fall, and that report as I understand it is due to be complete on April 18 and we will need approval then from the Corps Headquarters in Washington, DC.

There's a great deal in jeopardy here, not only the literal access to water for thousands of citizens, but the proposed housing and construction of a hospital in Eagle Butte which has long been on

the books and the funding is now available to go forward with those projects. Though without water, it simply is not possible to proceed. So you have some of the poorest of the poor in all of America under an extraordinarily difficult circumstance and Mr. Woodley can you ensure this subcommittee that the PIR will receive absolutely the utmost attention by Headquarters? And also can you assure the subcommittee that the Corps will provide the necessary funding to ensure the continued operation of the intake? Clearly long term we simply need to replace the entire water system for the Cheyenne River Reservation is going to be a costly and long-term project that is going to have to be done. That's not today's issue. But right now, the urgency of this water intake problem is just extraordinary. There are 14,000 people or more, who literally will not have water in their taps, in their schools, in their health clinics, in their senior citizen facilities, at all if something isn't done very very soon. Mr. Woodley.

Mr. WOODLEY. Yes sir. The PIR will receive the absolute top priority in the Corps Headquarters and in my office. We have been briefed on this. The District Engineer at Omaha is in daily contact with this issue—in daily contact with the Tribe and with the other agencies that are concerned, and will do everything—we will first of all give that top priority and there will not be any slippage on the time. I have today been briefed by the Division Engineer, as well as the Chief himself, on this crisis. Having done that, we will commit to do everything within our power to achieve the—to put together the resources necessary to implement whatever recommendation of the PIR, which will identify alternatives—the recommendation that is selected by the tribe and the other authorities involved. We will do everything in our power to achieve the resources to undertake that recommendation, and to ensure that the viability of that intake now and in the future.

Senator JOHNSON. Well thank you Mr. Woodley we will be in close communication with you, and as you can imagine there really is no plan B here. Trying to truck water to 14,000 people or more, over an enormous expansive land would be just an almost impossible endeavor.

We simply have got to have that intake in a place where it will work. And hopefully that emergency intake will dovetail with the longer term strategy for a new water system in that area, and hopefully we won't have to replicate, although I would appreciate that the first goal is simply to make sure these people get water as quickly as they can under an emergency circumstance. But thank you Mr. Woodley, Mr. Chairman.

Senator BOND. Thank you very much, Senator Johnson. Now I turn to my ranking member on the THUD committee, Senator Murray.

Senator MURRAY. Thank you Mr. Chairman, thank all of you for being here today. General Strock, the administration's budget has \$15 million for the Columbia River Channel improvement project in it. And I really appreciate the inclusion of that money. Many of the folks out there tell us that it would move ahead much more effectively if \$40 million were provided for that project. I just wanted to ask you today, can you confirm for me, that the Corps could ac-

tually spend \$40 million on the Columbia River deepening in fiscal year 2006, if those funds were provided.

General STROCK. Yes ma'am. The Division Commander reported that they have the capability of \$41 million in fiscal year 2006.

Senator MURRAY. Well let me also ask you, in addition to that \$15 million for the Columbia River deepening, there's \$11 million a year for ongoing yearly dredging. Both of those projects are up river of the mouth of the Columbia River, and it concerns me that while the budget provides funding for those dredging activities which I agree with and support, it doesn't provide any funding for the repair of the jetties that are at the mouth of the Columbia River. And I understand that there's real concern on the south jettie, in particular two areas that could fail. And it's pretty obvious to me that deepening the channel and channel dredging will be all for naught, if those jetties, can you talk to me about why money for repairing those jetties was not in the budget?

General STROCK. Well ma'am we certainly share your concerns and we do understand that this must be operated as a system, that without the jetties the deep channel does not function. Those jetties are in a very poor state of repair and we have an ongoing study now to do some interim upgrades to those jetties and have the capability to do that if we're provided funding, but we have not included a request for that in this year's budget.

Senator MURRAY. Well that is very concerning to me, because if those jetties fail, all the money that we've put into channel deepening and other projects are not going to be worth it. So I will continue to work with this committee and with you on that. General you also know that we marked up the supplemental, emergency supplemental yesterday. It didn't include any money for the \$30 million that is needed, \$30 million I understand for the Fern Ridge Dam that is in Oregon. Not in my State Mr. Chairman, but I am concerned about it, because I am told that this is an active state of failure. And if the Corps doesn't get the money, it's going to have to take it from all of the other active projects that are out there to fund that because it is an emergency, and so can you tell me General how much funding is needed to the Fern Ridge Dam in Oregon.

General STROCK. I might have to answer that for that record ma'am. We are, and want to make sure that you understand, that while we do describe that as an active state of failure we are taking measures in the operation of the reservoir to make sure that it is safe and the public is not in danger as a result.

Senator MURRAY. I understand, but my point of that, to this Fern Project, is that is going to come out of all of the Corps projects in order to fund that, because it is failing?

General STROCK. That is correct. I am notified that we're going to reprogram about \$31 million this year.

Senator MURRAY. So, \$31 million will be reprogrammed. Mr. Chairman, that's why I am—have discussed with Senator Cochran yesterday at the committee markup about getting an emergency supplemental for that, otherwise all the rest of us will see our money gone for projects that we think is going to be there, because it's failing.

One last question General Strock. Do budget cuts, about third of the operation and maintenance funding for the Lake Washington ship canal. Can you explain to us how that project is going to be operated and maintained at this reduced funding level, and will that mean that the hours of operation of the locks themselves will be reduced?

General STROCK. Ma'am, we're looking at alternatives to address this inability to fund, to fully fund the operation of those locks, and we are considering alternatives such as limited operations, potentially user fees and that sort of thing.

Senator MURRAY. User fees?

General STROCK. Yes ma'am.

Senator MURRAY. Okay. I will tell you this is a huge issue out there. As you know, the locks are absolutely critical for a lot of shipping within the Puget Sound region and I want to hear from you more if you can in writing please, on what you're considering for funding that.

General STROCK. Ma'am we have committed to about \$6.5 million that would be required to keep those locks in 24 hour operations.

Senator MURRAY. Thank you.

Senator BOND. Thank you very much, Senator Murray. Senator Allard.

#### PREPARED STATEMENT

Senator ALLARD. Thank you Mr. Chairman, I look forward to working with the committee and the Army Corps of Engineers on a number of projects important to the State of Colorado. Just to start off with, I have a prepared statement I would like to make a part of the record.

Senator BOND. Without objection.

[The statement follows:]

#### PREPARED STATEMENT OF SENATOR WAYNE ALLARD

Mr. Chairman, I want to thank you for holding this important hearing today.

The Army Corps of Engineers and the Bureau of Reclamation are both important to Colorado.

Throughout the West, water is one of our most important resources; this makes the role of the Bureau of Reclamation and the Army Corps of Engineers vital. When dealing with water I have a simple theory with several key principles that I keep in mind. These principles are: the Federal Government should ultimately defer to the States and their water rights, when the Federal Government does become involved it should be as a conduit of funding, and strategic water conservation and storage is necessary. The individuals here today each play a role in this theory, especially the final two points, and I thank them for appearing before us.

As a conduit of funding, the Corps of Engineers plays a role as an important resource for communities to access funding and technical expertise for local projects. Through Civil Works Projects and The Continuing Authorities Program funding is made available to States and local communities to fund water projects. There are many of these projects currently underway in Colorado, including one in the Colorado Springs area, The Fountain Creek Tributaries project. I wanted to take a moment to thank you for the attention you have paid to this project, it is very important to me. Several years ago severe thunderstorms caused Fountain Creek to flood which caused a significant amount of damage to roads, homes, and business. My constituents in this area and I greatly appreciate the efforts taken on their behalf. And I would ask that the Corps continue to move forward with the local community on this project.

Both organizations act as a tool for water storage and conservation and there is a good example of this in Colorado. The Bureau of Reclamation has an important project in Durango Colorado, the Animas-La Plata Project. In the past this com-

mittee has held hearings on The Animas-La Plata Project where concerns for discrepancies in the programs projected cost were raised. I am of the understanding that much has been done to address these concerns; I ask that the Bureau maintain diligence on this project.

There is another project in Colorado which I would like to briefly mention. I look forward to working with all of you on the Arkansas Valley Conduit. I have appreciated the Corps willingness to work with us to this project. This same enthusiasm is not shared by the Bureau, but I hope to soon convince you otherwise.

There are many examples of good Bureau and Corps leadership in Colorado—I look forward to a cooperative relationship with all of you.

Again, thank you Mr. Chairman for holding this hearing and thank you gentlemen for appearing before us today.

Senator ALLARD. Just to summarize what I said in the statement—first of all I want to let you know what a pleasure it is for me to be on this committee, because water is really important and a precious commodity as far as the State of Colorado is concerned, and our water law dates back to the late 1800's. The doctrine of prior appropriation, which basically stated that the Federal Government defers to the States on the management of the water, and the Federal Government works to help provide funding and work with the States in meeting whatever the needs are within the State. That's important to the State of Colorado, in the fact that we have some seven bases in the State, and four Districts in our State, I will follow-up with that on my questions a little bit later.

We have some projects that are ongoing right now. I want to thank the Corps for working with our office in the past and I know you've worked with Senator Campbell's office on some of these projects. I'll mention a few, the Fountain Creek Tributaries project, which is on bank stabilization. Some local communities are impacted as a result of a flood we had in Colorado. I want to thank you for working on that project, and we'll continue to follow the progress on that. The Animas-La Plata project, I understand has had some problems with cost overruns; there have been hearings on that in this committee. It is just my feeling that it requires a lot of diligence and a lot of oversight. We would like to work with the Corps as that project moves forward to make sure that we have adequate oversight there to keep our costs down. My understanding is that they've worked and taken care of some of their problems and we just have to make sure that those policies are carried forward.

Another thing that I'm working on is the Arkansas Valley Conduit, which you have not been particularly excited about, but is something that we're working, and something we think might be essential for the Arkansas Valley so we'll continue to stay in touch and work with the Corps on that particular issue. Related to whole Arkansas River, we have a number of issues down below there, and I would talk to you about those.

And then on my questions, I think you've done some things according to my briefings that have improved communications between the four Districts within Colorado. There was a problem, I think, with communication between the four of those in some cases. There is a problem with my constituents communicating with the various offices. My understanding is that it has improved. But we continue to get some concerns raised, from my constituents, about communicating with the various offices. And so my question is, while you seem to have done a pretty good job of improving com-

munication between the offices, the problem remains between my constituents and the offices. What have you done there to make sure that their concerns get heard? I think a lot of their offices are outside of the State of Colorado, so they're not particularly handy for my constituents. I would like to hear any comments you might have in that regard.

Mr. WOODLEY. Senator, this is something that, you will recall, that you raised with me at least 2 years ago when we discussed the needs of Colorado, vis-a-vis the Corps of Engineers, at that time. And inspired by that leadership, once I took office and began to work in this arena, I went to Denver and met with many of the people concerned—people in aggregates, and development, and people with environmental concerns, just a considerable cross section. And what I learned was that there was an office in Omaha, and one in Albuquerque and another in—I'm getting to Sacramento, but another in Arizona I guess—and then Sacramento. And they asked me, Mr. Woodley, do you have any idea where Sacramento is located, and naturally I said, well it's out here someplace, isn't it. And they said sir, you are now almost as far from Sacramento as you are from Washington, DC. That's about right. And so that was a real epiphany for this young easterner. And so I got back to town and got to work on putting together the concept of having a lead District. Now the Corps—what happens, the way that happens is the Corps is divided by watershed and that's a good thing. I'm not opposed to that, it's a good thing, and we get enormous benefits from that. But Sacramento's a long way from Denver nonetheless, and so you have to try and craft a solution that maintains the benefit so we can work on a watershed basis, we can understand the needs of each separate area, and so that we can have—also have at the same time a powerful liaison and link up with the State Government and the State leadership in environmental and watershed, water related issues. And have consistency across the State. Because the people, your constituents, talk to one another, and the regulated community they talk to one another. If they get a deal in one part of the State, if they get a deal in Boulder that they can't get in Colorado Springs, then we hear about it. And so we established that assignment to Albuquerque, returned to Denver, and made that announcement there at the capital with the State regulatory authorities, and it was very very well received, I thought. We just began the year, so I'm confident that we have not reaped all the benefits we're going to reap. But I'm absolutely committed to improve our communication across the board with the regulated, with the land owners, essentially in this area, businesses, people that are concerned about preserving wetlands, and getting effective permits done on a consistent and a timely—consistent and predictable manner.

Senator ALLARD. I appreciate your efforts, and I want to recognize what you've done. The chairman is showing me his wristwatch here so I know my time is up, but I do want to wrap it up here. As we run across specific instances I may share those with you, because I think you've made some strides. We just have to identify specifics, as I run across those I will bring them to you in a friendly manner, because we want to provide good services.

Mr. WOODLEY. Senator, you know we're always at your disposal.

Senator BOND. Thank you very much Senator Allard. Senator Burns.

Senator BURNS. Thank you Mr. Chairman, I don't have a lot of questions for the Corps other than the Missouri River. We are learning now in our eighth year of drought, that whiskey is for drinking and water is for fighting, and we've got a real problem upstream as you well know. We've got three main reservoirs upstream that are imperilment areas, that we're going to have to look at a different management module or something because we cannot have a healthy river unless we have healthy reservoirs. And right now we don't have healthy reservoirs as you well know. And so we've got Oahe Garrison and PET that are the major focus right now, and we've got about a 60 percent snow pack. We know that your runoff this year is not going to be what we had hoped for this year, even though we're getting moisture now, we might get rain, we may get a little snow, but that's all going to go underground, there's not going to be any runoff this year, that river is going to stay low all year. And I would tell you right now, I appreciate the cooperation and the communications we've got with the Corps right now, I feel very good that we can solve some of these problems up there. But it's going to be tough on everybody on that Missouri River. Now, I was raised on one end of it, I'll probably die on the other, and I've traveled that river up and down, and I know a little bit about it, and the issues that surround it. We're very fortunate to have a great river like that in the center of our continent because as that sustains a lot of life and does a lot of great things for this great Nation. So I just came here today to say, thank you. Now we know we've got our little differences and all that, but we're trying to communicate them, we're trying to fix them. And as long as we keep talking I think we can get it done, but you've got all the way from Three Forks, Montana to Lake Oahe, South Dakota, we have a problem. And we'll never get it solved if we just kind of keep beating on one another and I would open up these communications and do some things that should have been done quite a while ago. So I appreciate the lines of communications and everything that we are trying to do to make that a healthy river. And there ain't nothing you can do on that river, except water.

We've got to have a snow pack. And if we don't have it, then we've all got to work together to make the impact the same all the way to St. Louis. So I thank you, and I just want to continue to work with you and our State, and especially those three reservoirs. I'm concerned about those three reservoirs because they mean so much for the upper Midwest and the high plains. And I thank the chairman. Do you want to react to that, or General Strock?

General STROCK. Sir, I would just like to thank you, as you know I served on the Missouri River for a number of years, and I'm delighted to know that we're moving in the right direction. It is a tough problem. We put our best minds on it I know and the best minds of the States involved have also been at this and will continue to work very hard. But sir, thank you very much.

Senator BURNS. I think our lines of communication are as probably open now as they've ever been, so we just appreciate that, and we continue to work on it.

General STROCK. Thank you sir.

Senator BOND. Thank you very much, Senator Burns. Having gotten the 50 percent increase in the minimum level I can see why you're expressing appreciation. We have had a slight difference but I would remind you that the difference is not just down to St. Louis that water flows into something called the Mississippi, and that shuts down when the river shuts down. And I will join you in praying for more rain, but I'm going to pray on one knee because last we did it was 1993 and we got the 100-year floods in 1993. But we've got to be careful what we pray for. Along that line I would like to call on Senator Dorgan.

Senator DORGAN. Mr. Chairman, thank you. I was surprised to see you in the chair when I came in the room. Not pleasantly surprised, but surprised nonetheless.

I was thinking, we will discuss the Missouri River and you and I and Senator Burns have had long, tortured discussions about that.

But, at any rate welcome to the chairmanship today. I guess I've had less sugar today than my colleague from Montana. I'm not prepared to thank anybody. And I remain enormously frustrated, as do my constituents about the Missouri. I share the statements that my colleague from Montana made. We're short of water, we're going to have less runoff, and our reservoir in North Dakota is down 30 feet. And what I would like to do is just run you through a couple of questions if I might, just before making a conclusion and asking you to comment. At this time of the year if we were not in a drought condition, and we're in repeated years of drought, what would we expect? What kind of quantity of water would we expect in the Missouri River system this time of year generally? I'm told it's about 50 million acre-feet.

Mr. WOODLEY. I would have said between 54 and 58 million acre-feet, Senator.

Senator DORGAN. And what quantity of water exists in the Missouri water system now?

Mr. WOODLEY. Less than 35 million acre-feet.

Senator DORGAN. So normally we would have 58 million acre-feet, and now there are less than 35 million acre-feet. My colleague from Missouri just referred to a change in the drought conservation level. It went from 21 to 31 million acre-feet, which is a 50 percent increase. The 31 million acre-feet is largely an irrelevancy, to me anyway. That change from 21 to 31 million acre-feet was that change a result of legislation, or a result of a determination through the master manual rewrite without legislation?

Mr. WOODLEY. That was not determined by legislation, Senator, that was a master manual.

Senator DORGAN. So the judgment in the master manual that drought conservation should be employed in the Missouri River system is not a function of the Congress, it's a function of the Corps and the people who live along the river, and who are involved the process to make these decisions, is that correct?

Mr. WOODLEY. Yes, sir.

Senator DORGAN. And so at this point, for a river that would have 58 million acre-feet normally, we're at 34 million acre-feet roughly, it sounds like less than 35 million acre-feet and we don't have drought conservation measures yet, because it hasn't trig-



gered the 31 million acre-feet. You might see why I'm not very thankful about the 21 to 31, I think it's irrelevant at this moment for the people in Montana and North Dakota who see nothing where they expect to see water. And I would just like to ask the question in the construct of the master manual, did you determine the net economic benefit of the barge industry on this river?

Mr. WOODLEY. I believe that we did, yes.

Senator DORGAN. Can you tell me what that was?

Mr. WOODLEY. I believe that the net economic benefit figure was in the neighborhood of between \$7 million and \$8 million on an annual basis.

Senator DORGAN. The net economic benefit of the barge industry is between \$7 million and \$8 million?

Mr. WOODLEY. As we define that within the guidelines we're given under the Principles and Guidelines.

Senator DORGAN. And for that we've written and rewritten the master manual that establishes that a level below 31 million is the first time we would employ drought conservation measures, why? To protect an enterprise, down-stream with a net economic benefit of \$8 million a year? That's unbelievable to me.

Mr. WOODLEY. Senator, I will say that if—I certainly am not seeking to minimize the difficulty, nor seeking to justify the unjustifiable. But I am saying, and would like to suggest, that under the new master manual many drought conservation measures are employed well before the storage arrives at the navigation preclude level of 31 million acre-feet.

One example of that is a reduction in the level of navigation support that is given in terms of the depth of channel that is supported from Sioux City to St. Louis. Another is that—and we are now at the minimum level for that. Another is that we began to shorten the length of the navigation season, the length of time during which navigation is supported on an annual basis. A full year would allow navigation support from April 1 to December 1. Last year it was curtailed and this year it will again be curtailed.

Senator DORGAN. I understand all of that.

Mr. WOODLEY. So I don't want to leave the impression that no conservation measures are taken prior to the 31 million acre-feet.

Senator DORGAN. I wasn't alleging that. My point is during the navigation season that does exist, about one-third of the water that is flushed from the upper reservoirs is for the support of an industry that has a net economic benefit of \$8 million a year. Is that a signal?

Senator BOND. Well your time is up, but go ahead, because I want to answer a little bit.

Senator DORGAN. I understand that. Let me just make this point. I believe very strongly that the State of Missouri, all of the economic interests on the river, including the up-stream and down-stream States would have been benefited, had we during all of the years of this drought been storing water, rather than using it for an industry that has a net economic benefit of \$8 million a year. And I'm not suggesting that that economic benefit should have been ignored. You could have doubled it, in simply payments to them and still been far ahead for everybody on that river including the citizens of Missouri. Now I have a great respect for my col-

league. We have a disagreement on this. I don't intend in anyway to be personal. But I feel very strongly as do many of the upstream States that we're systematically cheated, Mother Nature is part of this, I understand it. But the management of the river is another part of it, and we're tired of it and it needs to be solved.

Mr. WOODLEY. And I'm deeply sympathetic with your views, Senator. The support for navigation is a statutorily created and Congressionally mandated project purpose, which within—as we formulate a master manual, as the Corps of Engineers formulates a master manual—they are absolutely required to consider and support. And they arrive at a balance that seems good at the time, but are certainly not—anxious not to consider any given balance as the final balance, and to await and to receive further instructions from the Congress and from the leaders of the basin, the Governors, the tribes, the agriculture people who earn their living on the land in agriculture and elsewhere. And certainly those who earn their living on the water in the great recreational industries that are supported on the lakes and reservoirs.

Senator BOND. Thank you very much Mr. Woodley. Thank you, Senator Dorgan. I would point out Mr. Woodley, that the Eighth Circuit confirmed that one of the two purposes was to maintain river transportation. I think your statement about \$7 million to \$8 million being the impact on transportation is wildly out of whack. You well know, as I know, that 65 percent of the flow of the Mississippi River at St. Louis comes from the Missouri River and that when the flow was shut off on the Missouri River 2 years ago, barge—all transportation in the mid-Mississippi was shut off as well.

Furthermore I think you overlooked the fact that a study of the impact on barge traffic and the ability to get ship commodities by barge traffic means a \$200 million saving for Missouri and Midwest farmers exporting to the world market. Because the exporters who are one of the few who actually provide a budget surplus, a trade balance surplus for us, depends upon the river to keep the rail costs from going through the ceiling which they have, because there's been adequate rail service.

So water, water transportation saves \$200 million. There are many other industries that depend upon getting inputs up the river, and I've got to believe that \$7 million to \$8 million doesn't even touch it. You also should probably think about what almost happened in 19—or 2003 when the river was shut down, it came within 36 hours of shutting down power production on four major electric generating facilities. Three on the Missouri and one on the Mississippi River, and if you don't think there's going to be a cost to shutting down power cooling by shutting down the river then you've got another thing coming.

We are already as you pointed out in drought conservations situations, have minimum loads on the Missouri River, shortening it, shortening the season by 2 months and I think that the situation is very serious on both the up-stream and the down-stream States.

And I personally think, going from 21 million acre-feet to 31 million acre-feet was unwarranted. You made that decision, so it stands. But there's going to a significant hardship all the way to New Orleans if we hit that 31 million acre-feet.

I would ask General Strock about one possible solution that might be helpful to up- and down-stream States, and that is the flow to target regime. That could have saved a million acre-feet of water last year, so that during the abbreviated season you release no more than necessary. You keep more water in the reservoirs. I would ask that you raise this as a real possibility when we're facing this catastrophic drought effecting the up-stream and the down-stream States that you raise this with the Fish and Wildlife Service who seem to be the ones who object to it. While many human activities, on both ends of the area are suffering. General Strock, would you like to comment on that?

General STROCK. Sir, at risk of exceeding my memory here, we are considering the flow to target and we do think that this year if the conditions are the same as last summer, that we could possibly save between 0.5 and 1 million acre-feet of water using flow to target. But our ability to do that is dependant upon our ability to meet the ESA restrictions on the support of—nesting. But it's certainly something that we will continue to examine and consider.

Senator BOND. Thank you very much General Strock. Now we'll start back for a second round to Senator Craig.

Senator CRAIG. Thank you very much Mr. Chairman, I know we're all struggling with lack of water, that is true in the Snake River and the Columbia River basins as it is on both sides of the Continental Divide and it is a very real management problem. Mr. Secretary let me go back to the line of questioning I was pursuing with you earlier as it relates to Section 404 permits. Section 404 permits, the Section 404 permit program at the Corps as it relates to the policies addressing canals, drains, and other irrigations works. I'm going to focus on the Corps treatment of those water facilities as effecting navigable waters, or waters of the United States for the purpose of the Clean Water Act, and jurisdiction under Section 404. At the national level, has the Corps adopted any written policies on this matter?

Mr. WOODLEY. No Senator, not specific to—not specific to canals, drains and the irrigation structures. I believe that the documents that we have are—express themselves in more general terms.

Senator CRAIG. Isn't this jurisdiction only an issue properly addressed within the context of a proposed rule making?

Mr. WOODLEY. I would say that a proposed rule making is certainly one of the possibilities. I don't think it's necessarily, Senator, the only possibility that can be effective administratively.

Senator CRAIG. Well, if so I guess my question then is, why hasn't the Corps commenced that process, and let me go beyond that because you partially answered that. The Corps withdrew a notice of proposed rule making regarding waters of the United States in December of 2003; perhaps it is time that that effort be looked at again. Until this issue is resolved through rule making or other direction from the national level, what is the direction being provided in individual Districts?

Mr. WOODLEY. The individual Districts are not given any more specific guidance than is in the general guidance that is in the existing rule. We have underway—we are very concerned about the issue of consistency and the appropriate scope of our jurisdiction in the aftermath of the Supreme Court's decision in the Solid Waste

Authority of Northern Cook County. And we have subsequent to that received—as you know, we’ve had the effort that was initiated or inaugurated with the proposed rule making announcement. And we said that, after looking at the wide variety of comments that we had received on that, we decided that there was just not enough support behind any given approach to how to resolve the question to make rule making a useful endeavor at this time. The alternative—subsequent to that, we have received a study from the Government Accountability Office that indicated to us that there appeared to be a difficulty with consistency across our program.

I confess I was not profoundly surprised by that finding, given that the rule that we were undertaking to enforce had several terms in it that appeared to me to need greater clarity and definition. Our thought at that time was that the appropriate thing for us to do would be to conduct a full scale study across the board of all of the professionals and experts that we have in the field conducting these determinations day by day. That would determine a level of those areas at which we had consistency. We could see then, those areas where we needed greater consistency. We would be able to develop that based upon the best practices from the people in the field.

Senator CRAIG. Why don’t we continue to pursue this and here’s why I’m pursuing it. I think that you might receive assurances that activities and canals and drains can be covered under normal operation and maintenance exemptions. For ditches in Section 404 however, there does not seem to be routine nature to this, and my question is one you probably can’t answer but we will pursue it, why is the Walla Walla District which covers Idaho, so aggressively asserting jurisdiction over irrigation delivery systems in the absence of a national direction. Now some believe, and I tend to be in that group that this is a result of a Ninth Circuit Court March 12, 2001 decision in the Talent irrigation District case. However that case was very fact-specific. Also the so-called rule from that case is not being applied evenly across the Ninth Circuit for example. The focus seems to be in Idaho, and Washington. Washington the latter, pursuant to a court settlement by a Seattle Court which doesn’t have jurisdiction over Idaho. I think this begs for some Headquarter guidance. It appears to be sporadic. One size should fit all in this situation and it doesn’t appear to be that. And you’re causing confusion and chaos in Idaho in many instances at this moment because what appears to be a rather arbitrary approach to decision-making based on what the broader sense of a Ninth Circuit Court decision was, versus the specifics of that case. And uniformity is important here for our operators in our large irrigation Districts and systems to understand that. It isn’t an issue they won’t comply; it is an issue of consistency of operation, and direction. And I’ll continue to pursue this with you, because I think it is important, General and Mr. Secretary, that we get some uniformity here. And I do think it is appropriate that rule-making go forward in this area.

Senator BOND. Thank you very much Senator Craig. Senator Allard.

Senator ALLARD. Mr. Chairman, I don’t have anything further for this panel.

Senator BOND. Okay. Senator Dorgan, anything further?

Senator DORGAN. Mr. Chairman, let me ask, I would like to submit some questions for General Strock on the issue of contracting in Iraq, sole source and other questions and I'll just submit those in writing relating to some issues that I raised yesterday.

Let me say this, although I feel very strongly about the management of the Missouri River, I'm angry about it, and frustrated. I do want to say that we have had some help outside of the management of the river itself. We've had some good assistance from the Corps on some boat ramp issues, and other related issues that have been helpful to some local folks to deal with the consequences of the drought.

So I don't want my angst to tarnish all the work of everybody in the Corps, but neither do I want to sound reasonable, and let you believe that I'm leaving the room completely satisfied with the Corps. This is a big, big, big problem. It's not going to go away, it's going to get worse this year, and how it's dealt with is critically important to my constituents. I understand the chairman has his constituents who are very concerned as well. But this conversation will last much longer than this hearing, Mr. Chairman, as you know. And I appreciate the conversation that we will continue to have about it.

I would like to also ask, and send if I might, to submit some questions for the Bureau of Reclamation on the next panel.

Senator BOND. Thank you very much Senator Dorgan. I've only been involved in these discussions now for 32 years. And I unfortunately if future generations come along I think they will probably continue to discuss them. But perhaps a little bit of help we can find in things like Flow to Target, which could provide some relief to both sides.

Senator CRAIG. Mr. Chairman, can we just appropriate money to buy some rain, governments can do everything, can't they?

Senator BOND. By unanimous consent in the Senate, we would make it rain without appropriating, but I don't want to try it.

#### ADDITIONAL COMMITTEE QUESTIONS

I would like to thank our first panel. Gentlemen we will be continuing this discussion, you will be having some questions from us, as well as other members. The record will be open for questions to be submitted.

As always, we appreciate your prompt response and then we will be calling you as always. Thank you very much Gentlemen.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

#### QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

*Question.* Can you tell us how the Corps budget was formulated this year?

Mr. WOODLEY. The Corps developed its fiscal year 2006 budget by program area and then disaggregated the projects to the existing account structure. Studies and Preconstruction Engineering and Design (PED) were funded based on the likelihood they will result in high-performing projects. For construction, the budget used seven performance guidelines to allocate funds among projects in order to achieve greater value to the Nation overall from the construction program. Under the performance guidelines, construction projects were ranked and funded based on their estimated economic and environmental returns. The effect is to redirect funding away from the

lowest return projects to accelerate completion of the highest performing projects. For operation and maintenance work, the budget emphasizes essential operation and maintenance activities at key Corps facilities, including maintenance dredging and structural repairs that are necessary to keep projects operational in fiscal year 2006.

*Question.* Can you explain a little about the methodology?

Mr. WOODLEY. Studies and Preconstruction Engineering and Design (PED) efforts are funded based on the likelihood that they will result in high-performing projects. This involves consideration of two factors: (1) The likelihood that the study or PED would result in a project. This is largely determined by whether there is a willing cost sharing sponsor for the study or PED who will have signed a cost sharing agreement by the end of fiscal year 2005. (2) The expected relative performance of the project. For PEDs producing economic outputs, remaining benefit-remaining cost ratios (RBRCRs) are available. For aquatic ecosystem restoration PEDs, cost effectiveness in addressing significant regional or national ecosystem problems is considered. For studies, the Divisions were asked to identify the highest-performing projects.

Studies and PEDs that are less likely to result in a high-performing project are suspended or deferred. In particular, PEDs with remaining benefit to remaining cost ratios (RBRCRs) of less than 3 to 1 are not funded in the budget.

Construction projects producing economic benefits competed based on their RBRCRs. Those with RBRCRs below 3 to 1 would be considered for contract suspension. Aquatic ecosystem restoration projects compete based on their relative cost effectiveness in addressing significant regional or national ecosystem problems. Those that are not relatively cost effective, are limited in scope, and do not address relatively significant problems would be considered for suspension.

A "suspension fund" of \$80 million would be created in the Construction account for the projects considered for suspension, and a suspension fund of \$8 million would be created in the Flood Control, Mississippi River and Tributaries account. If it would be less costly to continue or complete a contract than to pay claims, the contract would receive funding from the suspension fund. For other contracts, settled claims would be paid from the suspension fund.

All projects that are individually funded (i.e. are not suspended) receive enough to pay earnings on ongoing contracts awarded before fiscal year 2006, plus associated in-house costs.

Projects compete against each other within each mission area. Those projects that are the highest performing in each mission area receive at least 80 percent of the amount that could be expended efficiently on the project in fiscal year 2006. (In some cases the projects already are receiving at least 80 percent to fund earnings on already-awarded contracts, whereas in others the projects receive additional funding under this "80 percent rule" and can award additional contracts.)

The highest performing projects include 14 dam safety projects, 9 national priority projects, and 38 other projects.

New projects or resumptions (projects not under physical construction for 3 years) are eligible for funding only if their estimated return is on par with the top 20 percent of other projects in their mission area. One such new start is in the fiscal year 2006 budget: Washington, DC and Vicinity, a flood damage reduction project that is one of the highest-return projects in the Nation. The initiation of this project is necessary to reduce the risk of flood damage to the museums on the National Mall, the Franklin Delano Roosevelt Memorial, and the World War II Memorial.

Under the performance guidelines, at least 70 percent of the funding in the construction account should be allocated for navigation and damage reduction, at least 5 percent for major rehabilitations, and no more than 25 percent for aquatic ecosystem restoration.

Up to 10 percent of the funding in the account may be allocated to projects that do not meet the above performance criteria and allocation guidelines, but which, for extenuating reasons, warrant funding in the budget. However, none of the "ten percent" funds may be used for new starts and resumptions.

The budget funds the highest performing operation and maintenance work.

In general, "must have" operation and maintenance costs are funded. These are the costs that must be incurred to keep projects operational in fiscal year 2006. Any work that must be performed in fiscal year 2006 to meet a legal mandate would be carried out. In addition, all facility protection needs in fiscal year 2006 will be met. These include funding for completion of work to establish baseline security conditions at over 200 key projects, for recurring anti-terrorism costs at water resources projects, and for continued protection of administration buildings and laboratories.

The budget continues the policy of establishing priorities for funding navigation maintenance primarily on the extent to which a channel, harbor or waterway seg-

ment supports high volumes of commercial traffic. The budget also funds channel and harbor projects that have low commercial traffic but support significant commercial fishing, subsistence or public transportation benefits.

The budget also includes funding for an assessment of the economics and long-term policy options for navigation facilities with relatively low levels of commercial traffic. The study will identify the universe of Federal channel and harbor projects and inland waterways segments that support lower levels of commercial use, classify these projects based on the kinds of contributions that they make, develop methods to quantify the differences in their attributes and examine possible criteria for determining when a continued investment in operation and maintenance would produce a significant net return to the Nation. The study will also formulate a range of possible long-term options for the funding and management of navigation projects with lower levels of commercial use, evaluate these options, and examine their applicability to the various types of such projects.

An emergency reserve would be funded so that, if high-priority, unexpected, and urgent maintenance needs arise at key facilities, those needs can be met without disrupting other work.

The hydropower operation and maintenance work that is programmed for fiscal year 2006 is the operation and maintenance work that the Federal power marketing administrations are willing to finance under the administration's proposal for direct funding of hydropower. The willingness of the party receiving the power to pay for some operation and maintenance activities and not others is a market-based performance test.

*Question.* What do you believe is the traditional mission of the Corps of Engineers Civil Works program?

General STROCK. Army involvement in works of a civil nature goes back to 1824. Over the years, as the Nation's needs have changed, so have the Army's Civil Works missions. The Corps Civil Works program has three main missions: (1) facilitating commercial navigation; (2) reducing damages caused by floods and storms; and (3) restoring aquatic ecosystems. The Corps also performs related work through the emergency management and regulatory programs, and by providing hydropower and water supply from Corps multi-purpose reservoirs.

*Question.* Would you agree that part of that mission includes having a trained, geographically dispersed workforce?

General STROCK. Yes, Sir. However, their current distribution is not necessarily optimal. We need to periodically assess whether our workforce is distributed in the best way to carry out the current and expected workload.

*Question.* Are you aware that the Congress has directed that all of the Corps field offices be maintained?

General STROCK. Yes, Sir.

*Question.* Do you feel that the methodology that you used to formulate the budget allows you to meet this mandate?

General STROCK. Yes, Sir.

*Question.* How?

General STROCK. While some Districts are adversely impacted, the Regional Business Center concept enables cross-leveling of effort among districts and regions to optimize the use of expertise, wherever located.

*Question.* It appears to me that a number of your field offices would not have enough work to maintain their workforce if this budget were implemented. What is your view?

General STROCK. We recognize that the budget could impact workload among the Districts. As I mentioned, however, we feel that through the use of the Regional Business Centers we will be able to manage any potential decline in FTEs and minimize the impacts of imbalances on particular districts.

*Question.* Assuming you were aware that your budget assumptions would cause imbalances in your workforce, did you prepare accompanying plans for reductions in force or management directed employee moves to accompany the budget request? Why not?

General STROCK. The divisions and districts will do workforce analyses over the next few months. We would not finalize our plans until Congress has acted on fiscal year 2006 appropriations.

*Question.* How did you plan to address these imbalances?

General STROCK. As stated earlier, our divisions will address geographic shifts in workload through the cross-level efforts of our Regional Business Centers.

*Question.* In the fiscal year 2005 Omnibus Appropriations Act, we directed you to provide your Report on any action on which the Chief of Engineers has reported. Instead, you provided the Chief of Engineers Report. Why didn't you provide your report?

Mr. WOODLEY. First let me say, without equivocation, that as a matter of principle and practice, I am fully committed to complying with all Federal laws. As a member of the Executive Branch, I am also compelled to execute my obligations, duties, and responsibilities in accordance with all authorized directions and orders from the President. As I believe you are aware, Executive Order 12322 requires that I coordinate my draft report on water resources projects with OMB prior to submitting my report and recommendations to Congress, ensuring that a proposed water resources project is consistent with the policies and programs of the administration. Within the time period provided, however, I could only inform the Committees, consistent with Section 113 of the Omnibus Act, Public Law 108-77, that the administration's review of the applicable reports of the Chief of Engineers is still pending.

*Question.* I believe the law as signed by the President, requires that you send us your Report. I would recommend that you comply with the law.

Mr. WOODLEY. Sir, for a number of the projects in question, I did not have a report as of March 8, 2005.

*Question.* In fiscal year 2005, we provided you comprehensive guidance as to how reprogramming actions should be undertaken for implementing the fiscal year 2005 program. I believe this was the first time that we had addressed reprogramming on a comprehensive basis. Has the new guidance affected the Corps' ability to efficiently and effectively manage the Civil Works program?

General STROCK. No, Sir.

*Question.* It is my understanding that for fiscal year 2005, the Headquarters office of the Corps has taken a more active role in construction contract execution. Can you explain the traditional process that had been used and the changes you have implemented for fiscal year 2005?

General STROCK. The traditional process requires the contractor to develop a schedule and update it regularly through contract completion. These schedules are usually used by the District to compute a contractor's expected earnings per fiscal year and these earnings estimates are used by Headquarters in developing the annual budget requests for the project.

For fiscal year 2005 we are requiring submittal of proposed new continuing contracts to HQ for review and approval prior to award. These submittals must address whether alternate contract options have been explored, the budgetability of the project, and reasonableness of out-year funding availability to meet those contract funding requirements. We also are notifying the appropriations committees prior to award of such contracts.

*Question.* Have you recently made any changes to this process? Why?

General STROCK. Yes, Sir, prior to the award of new continuing contracts we are requiring HQ approval and we are notifying the appropriations committees. We are taking these steps to ensure that, in the aggregate, the out-year tails on continuing contracts are affordable.

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#### QUESTIONS SUBMITTED BY SENATOR MITCH MCCONNELL

*Question.* The U.S. Army Corps of Engineers has been working to construct an additional chamber at the Kentucky Lock facility since fiscal year 1998 and has spent over \$165 million to date. The administration, however, did not recommend funding for this project in its fiscal year 2006 budget proposal.

The administration's lack of proposed funding for fiscal year 2006 impacts the ability of the U.S. Army Corps of Engineers to execute fiscal year 2005 funds. The award of critical construction contracts, in particular, likely will be delayed.

What is the estimated economic impact of such delays expected to occur in fiscal year 2005?

General STROCK. Compared to the capability level of funding, any funding level could be viewed as causing "delays." However, the Civil Works program has not received the maximum amount that it could efficiently spend in any recent fiscal year. In the administration's view, devoting the capability level of funding to the Corps would not produce the best return for the Nation, considering the potential alternative uses of funds. The overall Budget allocation for the Civil Works program as well as the performance-based allocations for construction projects reflects, in the administration's view, the best way to realize overall net benefits for the Nation. If the award of contracts is delayed, there would be a corresponding deferral of benefits achieved from the project's completion.

*Question.* What is the potential impact on the completion date of the project caused by a delay in awarding the "critical path" contract for the superstructure in 2005?



General STROCK. Any delay to a contract such as the Bridge Superstructure will have a corresponding direct delay to the completion date of the project.

*Question.* How quickly can the contract for the superstructure be awarded to ensure that as much of the fiscal year 2005 appropriation for Kentucky Lock is utilized fully in a manner that contributes to the completion of this project sooner rather than later?

General STROCK. The earliest that the superstructure contract could be awarded is the middle of August, 2005. We would expect the fiscal year 2005 earnings for this contract to be no more than \$2 million, subject to the usual qualifications on capability estimates.

*Question.* What is the estimated economic impact of terminating construction of the Kentucky Lock Addition project in fiscal year 2006?

General STROCK. The Budget has not proposed termination of the project. Instead, the Budget proposed that this and other relatively lower-performing projects be considered for possible suspension at this time in order to direct available resources to projects producing higher benefits. If project construction were terminated in fiscal year 2006, some portion of the project's total average annual benefits, estimated at \$71 million (October 2003 prices), would be deferred to future years, assuming the project later resumed construction.

*Question.* What is the estimated economic benefit of continuing to construct the Kentucky Lock Addition project in fiscal year 2006 and beyond on a funding schedule of expenditure levels equal to the average of actual expenditures over the course of the past 5 years?

General STROCK. In 4 of the last 5 fiscal years, an average of \$30 million per year has been appropriated to the project. If project funding remains in this range, then the project completion date would be 2022. Continued funding on this level would realize some portion of the \$71 million in average annual benefits estimated in the Corps report on the project.

*Question.* What is the estimated economic benefit of continuing to construct the Kentucky Lock Addition project in fiscal year 2006 and beyond on an efficient funding schedule?

General STROCK. Subject to the usual qualifications on capability estimates, if the Corps were to receive the maximum amount that it could efficiently spend in every fiscal year, the earliest possible completion date would be 2012. Based on the Corps' analysis of the economic impacts of the project and assuming an unconstrained funding schedule, about \$71 million in navigation benefits could be realized by the project's completion.

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#### QUESTIONS SUBMITTED BY SENATOR MARY L. LANDRIEU

*Question.* When will the Secretary determine whether the lock conversion for the Larose to Golden Meadow, Louisiana project is justified pursuant to Sec. 325 of Public Law 106-53 (WRDA 1999)?

Mr. WOODLEY. The Leon Theriot Lock evaluation report is at the Office of the Assistant Secretary of the Army for Civil Works for review. The review is expected to be completed in June 2005.

*Question.* The Corps owns and operates four hopper dredges which are to be used for urgent and emergency dredging and for national defense purposes. Do we really need four government hoppers in light of the current private hopper dredge capacity that exists?

General STROCK. The Corps of Engineers does own four hopper dredges, however, the WHEELER is maintained in a ready reserve status, and is not scheduled for work unless industry is fully engaged and is unable to respond. Industry has increased its capacity, and we are currently evaluating the need for the remaining three hopper dredges and the appropriate configuration of the Corps hopper dredge fleet.

*Question.* I am told that the Corps is preparing a report to Congress to address use of its minimum dredge fleet. Can you tell me what progress you are making and when Congress can expect to receive that report? Will it arrive on the Hill in time to have an impact on this year's legislation?

Mr. WOODLEY. The Corps is currently finalizing the report, which I expect to complete and, upon final clearance, forward to Congress in a timely manner.

*Question.* I understand that since the Dredge Wheeler has been in ready reserve, you have improved the nationwide management of all hopper dredges through a public-private partnership with industry. Does the Corps view the partnership favorably, and what does it mean with regard to the number of dredges the Government must continue to operate?

General STROCK. The Corps and the hopper dredge industry have established a partnership called the Industry-Corps Hopper Dredge Management Group (ICHDMG). This partnership has effectively developed a process for managing the combined Corps and industry hopper dredges in a manner that ensures reliable service to ports and waterways requiring hopper dredging. The effectiveness of the partnership is being considered with regard to the report's recommendations for the final configuration of the Corps hopper dredge fleet.

*Question.* I am told that \$8 million is needed to keep the Wheeler in ready reserve. Is that correct? And, is it cost effective in terms of private investment in hopper dredges it has engendered?

General STROCK. Yes, \$8 million is the estimated amount that is required to keep the WHEELER in ready reserve. The cost effectiveness and resultant industry investments are being considered in the evaluation and recommendations of the Corps future hopper dredge configuration.

DEPARTMENT OF THE INTERIOR

BUREAU OF RECLAMATION

STATEMENTS OF:

**R. THOMAS WEIMER, ACTING ASSISTANT SECRETARY FOR WATER  
AND SCIENCE, DEPARTMENT OF THE INTERIOR  
JOHN W. KEYS, III, COMMISSIONER**

ACCOMPANIED BY:

**BOB WOLF, DIRECTOR, PROGRAM AND BUDGET, BUREAU OF REC-  
LAMATION, DEPARTMENT OF THE INTERIOR  
JOHN TREZISE, DIRECTOR, BUDGET, DEPARTMENT OF INTERIOR  
J. RONALD JOHNSTON, PROGRAM DIRECTOR, CENTRAL UTAH  
PROJECT COMPLETION ACT OFFICE**

Senator BOND. Now we would like to call forward our second panel. All right. If everyone will take their seats, we will begin panel two to take testimony on fiscal year 2006 budget requests for the Bureau of Reclamation. Testifying on behalf of the budget of the Bureau will be Mr. R. Thomas Weimer, Acting Assistant Secretary for Water and Science, U.S. Department of the Interior, and Mr. John W. Keys III, Commissioner of the Bureau of Reclamation.

Gentlemen, we welcome both of you, your full statements will be included in the record, and we would ask that you summarize briefly your statements, and with that Mr. Weimer.

Mr. WEIMER. Thank you, good afternoon Mr. Chairman, and members of the subcommittee. I'm very pleased to be here today on behalf of Secretary Norton to introduce the Interior Department's 2006 Budget to you, and specifically those portions related to the Bureau of Reclamation and the Central Utah Project. As you noted, I'm joined by John Keys the Commissioner of the Bureau of Reclamation. May I also introduce Bob Wolf, to John's right. He is the Director of Budget for the Bureau and behind me, John Trezise, who is Director of Budget for the Department of the Interior. We also have Ron Johnston, again behind me, who is the Program Director of the Central Utah Project, and he's available for any questions on that project that you may have.

DEPARTMENT OF THE INTERIOR'S FISCAL YEAR 2006 BUDGET REQUEST

To briefly summarize, the Department's overall 2006 request for programs funded by the Energy and Water Development Subcommittee is \$981 million. This is \$32 million below the 2005 enacted level. This includes \$947 million for the Bureau of Reclamation, and \$34 million for the Central Utah Project. In crafting the budget, four overarching principles were used to shape both the Department's budget, the Bureau's budget, and Central Utah Project's budgets. First is the power of partnerships to leverage resources and achieve results. Second is the imperative for fiscal restraint to maintain a dynamic economy. Our budget is consistent

with the President's goal to cut the Federal deficit in half by 2009. Third is an emphasis on investments that will help Interior work smarter, more efficiently, and more effectively. Fourth is the importance of funding activities and programs linked to core Departmental and Bureau responsibilities. I want to briefly highlight just one of the Secretary's priority efforts that is underway in the Department, and that is the Water 2025 initiative. With the support of the subcommittee, we're able to report on the early successes, with funding provided last year. We're promoting conservation efforts through grant and cost sharing programs that emphasize local initiatives and partnerships. The overarching goal of Water 2025 is to reduce crises and conflicts over water. The 2006 budget includes \$30 million for Water 2025, an increase of \$11 million. We feel that this increase is due to the very positive response to the challenge grant program that we have seen last year, and this year, we think that that increase of support validates the success of the partnership approach that the Secretary has initiated. I will briefly mention the Central Utah Project budget request of \$34 million, a decrease of \$13 million below the 2005 enacted level. The decrease is for the Mitigation Commission and is primarily due to the transfer of budget authority from the Department to the Western Area Power Administration. Due to projected carryover balances in the Commission's account, we believe the work of the Mitigation Commission will not be adversely affected.

#### MANAGEMENT INITIATIVES

Before closing, let me just mention that throughout the Department's and Bureau's budgets are a number of management initiatives. As public demands for Interior services increased, from Indian children who need schools, to water districts that depend on the water delivered by Reclamation, Interior must continue to find ways to enhance service and spend dollars wisely. Behind all of our programs, out of the limelight, rests the management foundation through which we strive to improve program efficiency and effectiveness.

#### PREPARED STATEMENT

Mr. Chairman, that concludes my opening remarks. I'm available to the subcommittee for any questions you may have.  
[The statement follows:]

#### PREPARED STATEMENT OF R. THOMAS WEIMER

Good afternoon. On behalf of the Secretary of the Interior, I am pleased to be here today before the Subcommittee on Energy and Water Development to discuss the fiscal year 2006 budget for the Department of the Interior. I appreciate the opportunity to highlight our priorities and key goals.

The Department of the Interior's mission is complex and multifaceted. Our 70,000 employees contribute to the Nation's environmental quality, economic vitality, and the well being of communities. Our mission encompasses resource protection, resource use, recreation, and scientific, educational, and other services to communities.

The Department's geographically dispersed responsibilities are inspiring and sometimes challenging. Through our programs, we have close connections to America's lands and people. We protect some of the Nation's most significant cultural, historic, and natural places. We provide access to resources to help meet the Nation's energy and water needs, while protecting natural and cultural resources. We provide recreation opportunities to over 477 million people annually at our parks,

refuges, and the public lands we manage. In addition, we fulfill trust and other responsibilities to American Indians, Alaska natives, and the Nation's affiliated island communities.

Four principles shape our 2006 budget. First is the power of partnerships to leverage resources and achieve results. Second is the imperative of fiscal constraint. Third is an emphasis on investments that will help Interior work smarter, more efficiently, and more effectively. Fourth is the importance of funding activities and programs linked to core Departmental responsibilities.

#### BUDGET OVERVIEW

Performance lies at the center of the President's 2006 budget request. The President's proposal also demonstrates the fiscal restraint necessary to halve the deficit by 2009 and maintain the Nation's dynamic economy.

The 2006 budget request for current appropriations is \$10.8 billion. Permanent funding that becomes available as a result of existing legislation without further action by the Congress will provide an additional \$4.2 billion, for a total 2006 Interior budget of \$15 billion. We estimate that the Department will collect \$13.8 billion in receipts.

Our budget includes \$981.1 million for programs funded in the Energy and Water Development Appropriations Act, a reduction of \$31.5 million or 3.1 percent below the 2005 enacted level.

The 2006 Bureau of Reclamation request for current appropriations is \$946.7 million, a net decrease of \$18.2 million below the 2005 enacted level. The request for current appropriations is offset by discretionary receipts in the Central Valley Project Restoration Fund and by a proposal to offset \$30.0 million through direct funding of certain hydropower operations and maintenance activities, resulting in a net discretionary request of \$872.8 million, a decrease of \$45.8 million below the 2005 enacted level. This decrease is primarily due to the 2006 hydropower direct funding proposal. The request for permanent appropriations in 2006 totals \$80.0 million.

Our budget also includes \$9.8 billion for programs funded in the Interior and Related Agencies Appropriations Act, a decrease of \$69.7 million or 0.7 percent from the 2005 level.

In his February 2 State of the Union Address, the President underscored the need to restrain spending in order to sustain our economic prosperity. As part of this restraint, it is important that total discretionary and non-security spending be held to levels proposed in the 2006 budget. The budget savings and reforms in the budget are important components of achieving the President's goal of cutting the budget deficit in half by 2009 and we urge the Congress to support these reforms. The Department will continually work with the Congress to achieve these savings.

#### CENTRAL UTAH PROJECT COMPLETION ACT

The 2006 request for the Central Utah Project Completion Account provides \$34.4 million for use by the District, the Commission, and the Department to implement Titles II-IV of the Act, which is \$13.3 million less than the 2005 enacted level. A substantial portion of this decrease is due to a transfer of budgetary authority and responsibility from the Department of the Interior to the Western Area Power Administration (WAPA). WAPA is requesting \$6.7 million for this purpose, and will transfer it to the Department of the Interior for use on the CUP. Of those funds, some will go to administrative expenses for the Mitigation Commission, and the balance will be added to the corpus of the Utah Reclamation Mitigation and Conservation Account, which is projected to have a balance of \$150 million by the end of fiscal year 2006. The reduced request for the Mitigation Commission reflects the Commission's substantial carryover balances from prior year appropriations.

The funds requested for the District (\$31.3 million) will be used to fund the balance of the Federal share of the completed Diamond Fork System (\$14.6 million); to continue construction on Uinta Basin Replacement Project (\$12.2 million); and to implement water conservation measures, local development projects, and continue planning and NEPA compliance for the Utah Lake System (\$4.5 million).

#### RECLAMATION

The Bureau of Reclamation is the largest supplier of water in the 17 western States. It maintains 471 dams and 348 reservoirs with the capacity to store 245 million acre-feet of water. These facilities deliver water to one in every five western farmers covering about 10 million acres of irrigated land and provides water to over 31 million people for municipal, and industrial uses. Reclamation is also the Nation's second largest producer of hydroelectric power, generating 42 billion kilowatt

hours of energy each year from 58 power plants. In addition, Reclamation's facilities provide substantial flood control, as well as many recreation and fish and wildlife benefits.

Since its establishment in 1902, Reclamation has developed water supply facilities that have contributed to sustained economic growth and an enhanced quality of life in the western States. Lands and communities served by Reclamation projects have been developed to meet agricultural, tribal, urban, and industrial needs. Reclamation continues to develop authorized facilities to store and convey new water supplies.

The 2006 request for Water and Related Resources, Reclamation's principal operating account is \$801.6 million, which is \$51.0 million below the enacted amount for fiscal year 2005. The account total includes an undistributed underfinancing reduction of \$30.2 million in anticipation of delays in construction schedules and other planned activities.

The budget proposal continues to emphasize assuring operation and maintenance of Bureau of Reclamation facilities in a safe, efficient, economic, and reliable manner; ensuring systems and safety measures are in place to protect the public and Reclamation facilities; working smarter to address the water needs of a growing population in an environmentally responsible and cost-efficient manner; and assisting States, Tribes, and local entities in addressing contemporary water resource issues. During development of Reclamation's budget request, funding for every project is reviewed based on Departmental and Bureau priorities and for compliance with the strategic plan.

The 2006 budget request for Water and Related Resources provides a total of \$391.7 million for facility operations, maintenance, and rehabilitation. Providing adequate funding for these activities continues to be one of Reclamation's highest priorities. The Bureau continues to work closely with its water customers and other stakeholders to ensure these funds are used to allow the timely and effective delivery of project benefits; ensure the reliability and operational readiness of Reclamation's facilities; identify, plan, and implement dam safety corrective actions and site security improvements; and undertake work to enhance environmental values.

A total of \$69.9 million is requested for the safety of dams program, an increase of \$6.4 million. This funding includes \$44.6 million to initiate safety of dams corrective actions and \$18.5 million for safety evaluations of existing dams.

The 2006 request for Water and Related Resources also includes a total of \$440.1 million for resource management and development activities.

#### WATER 2025—PREVENTING CRISES AND CONFLICT IN THE WEST

Meeting water needs is one of the most pressing resource challenges in some of the fastest growing areas of the Nation. In the West, demands for water for cities, Tribes, farms, and the environment exceed the available supply in many basins even under normal water supply conditions, as currently managed. Severe drought conditions over the past several years in the West have amplified water supply and management challenges. Without improved water management, conflicts and crises surrounding water supplies will likely increase.

The overarching goal of Water 2025 is to meet the challenge of reducing crises and conflict over water. To minimize or avoid these water crises and enhance water delivery, Water 2025 advances three basic concepts in the 2006 budget request:

- The implementation of water monitoring, measuring, conservation, and management technologies will provide some of the most cost-effective gains in the ability to meet the demand for water in the future.
- The attainment of economic, social, and environmental goals relating to water supply requires long-term stability that is more likely to be provided by collaborative solutions than by litigation.
- Market-based tools that rely on willing buyer/willing seller transactions are far more likely to provide stability and avoid conflict than are regulatory or litigation-based alternatives for meeting unmet and emerging needs for water.

Solutions developed through Water 2025 must be based on and recognize interstate compacts and U.S. Supreme Court decrees that allocate water among States, water rights established under State and Federal law, tribal water rights, and contracts for the use of water.

The 2006 budget requests \$30.0 million for Water 2025, an increase of \$10.5 million above the 2005 enacted level. The request includes funds for system optimization reviews, the Water 2025 challenge grant program, and improved technology.

## CALFED IMPLEMENTATION

The Sacramento-San Joaquin Delta serves as the hub of the State's water management system. The Sacramento and San Joaquin Rivers and their tributaries, provide potable water for two-thirds of California's homes and businesses, and irrigate more than 7 million acres of farmland on which 45 percent of the Nation's fruits and vegetables are grown. The Delta its tributaries and downstream service areas also provide habitat for 750 plant and animal species, some listed as threatened or endangered.

Established in May 1995, the California-Federal Bay-Delta Program (CALFED) is a comprehensive program to address the complex and interrelated problems in the Bay-Delta system, the watersheds that feed it, and the areas served by waters diverted out of it. A consortium of Federal and State agencies fund and participate in the CALFED program, focusing on ecosystem improvements and improving water management and supplies. In addition, CALFED addresses issues related to flood control, levees, water quality and watersheds.

After preparation of environmental documentation, the CALFED parties, including Interior, signed a record of decision formally approving a long-term programmatic plan for restoring ecosystem values and improving water management in the solution area. Approximately \$68 million was specifically provided to Reclamation in 2001 through 2005 within various authorized programs of the Central Valley Project for activities that support the goals of the CALFED program. Beyond these funds, Reclamation and the other Federal agencies participating in the CALFED program fund numerous other programs and activities that are closely aligned with the CALFED program.

On October 25, 2004, the President signed into law the Calfed Bay-Delta Authorization Act. The legislation provides a 6-year Federal authorization to implement the collaborative plan for restoration and enhancement of the San Francisco Bay/Sacramento-San Joaquin Delta estuary.

The 2006 budget includes \$35.0 million for Reclamation to implement CALFED activities.

## OTHER BUREAU OF RECLAMATION PROJECT REQUESTS

The \$128.0 million request for the Central Valley Project includes a \$3.1 million increase for the CVP replacements, additions, and maintenance program. Maintaining strong funding for these activities is critical to maintaining the long-term integrity of Reclamation's infrastructure. The 2006 request includes \$16.6 million for the Colorado-Big Thompson project, an increase of \$5.6 million.

A total of \$50.0 million is requested for site security to ensure the safety and security of facilities, an increase of \$6.8 million. The 2006 budget proposes that the operation and maintenance-related security costs for Reclamation facilities be reimbursed by project beneficiaries, consistent with the practice for other operation and maintenance expenses.

The budget includes \$52.0 million for the Animas-La Plata project to continue implementation of the Colorado Ute Settlement Act. This will provide for continued construction of the Ridges Basin Dam and the Durango pumping plant.

The request funds rural water supply projects at \$57.5 million, \$29.5 million below the 2005 enacted level. Funding is requested for the Mni Wiconi, Garrison, and Lewis and Clark projects. The overall reduction is due, in part, to a decrease of \$17.0 million resulting from the projected completion of the Mid-Dakota rural water project in 2005. The balance of the reduction results from a decision to focus primarily on ongoing rural water projects until establishment of a formal Reclamation rural water program, as recommended in earlier PART and common measures evaluations. The administration submitted legislation to the 108th Congress to establish such a program, and looks forward to working with the 109th Congress to create a program that addresses the present programmatic problems.

The budget proposes to re-allocate repayment of capital costs of the Pick-Sloan Missouri Basin program. Power customers would be responsible for repayment of all construction from which they benefit, whereas to date they have only been responsible for a portion of the costs. This change would increase reimbursements from power customers by \$33.0 million in 2006, and declining amounts in future years. Rate increases for power customers could be phased in over time. Authorizing legislation will be submitted.

## MANAGEMENT EXCELLENCE

As public demands for Interior services increase—from Indian children who need schools to visitors who seek more outdoor recreational opportunities on our public

lands—Interior must continue to enhance service and spend dollars wisely. Behind all our programs, out of the limelight, rests a management foundation through which we strive to improve program efficiency and effectiveness. The Departments and its bureaus continue to implement performance improvements.

Reclamation and the Central Utah Project continue to strive for excellence in the President's management initiatives, which include competitive sourcing, strategic work force management, improved financial performance, expanded electronic government, and integrated budget and performance. The Bureau of Reclamation is committed to the administration's management reform agenda and has developed road maps for getting green ratings on its scorecards. Reclamation's use of activity-based cost management data, together with modifications to Reclamation's field-driven budget formulation process, will integrate performance and budget in Reclamation's decision-making process.

As part of its 2006 budget development process, Reclamation and OMB evaluated the recreation program and the water management/supply planning and construction program using the Program Assessment Rating Tool process. The recreation program was rated adequate. The water management/supply planning and construction program was rated results not demonstrated, pending development of performance measures and base line data that assess progress toward bureau and strategic plan goals. The operations and maintenance portion of the water management/supply program, the site security program, the safety of dams program, and the Central Utah Project will be evaluated by PART during the development of the 2007 budget.

The National Academies' National Research Council is reviewing Reclamation's organizational infrastructure as it relates to its core mission of delivering water and power. The NRC held its first committee meeting February 28 to March 1, 2005, and should conclude its report during 2005.

Our 2006 budget also includes investments in tools to enable our employees to do their jobs more efficiently and generate cost savings by implementing standardized systems.

The Department currently uses 26 different financial management systems and over 100 different property systems. Employees must enter procurement transactions multiple times in different systems so that the data are captured in real property inventories, financial systems, and acquisition systems. This fractured approach is both costly and burdensome to manage. We have underway an integration of our financial and business management systems to streamline and modernize basic administrative activities.

The Department's budget request includes an increase of \$9.5 million to support continued implementation of the Financial and Business Management System, which is integrating financial management, procurement, property management and other systems and will be the basis for reengineered administrative processes throughout the Department. As FBMS becomes fully operational, over 80 legacy systems will be retired and their functionality replaced by standardized business processes within FBMS. In 2006, the National Park Service and Fish and Wildlife Service are scheduled to transition to FBMS. The Bureau of Reclamation will transition to FBMS in 2007.

The 2006 Department budget also includes an increase of \$7.0 million to continue implementation of the Enterprise Services Network. ESN leverages the existing BIA Trustnet, expanding it Department-wide, to provide secure, state-of-the-art internet and intranet connections and a fully functional operational center for data communications. In addition to providing better services for many Interior offices, the system will provide a uniformly secure environment, standardized and efficient 24-hour/7-day operations, and improved technical support. The Reclamation budget includes \$1.1 million for ESN.

#### ADDRESSING OTHER DEPARTMENTAL CHALLENGES

Over the past 4 years, the Interior Department has encouraged cooperative conservation through various grant programs, administrative actions, and policies. These efforts emphasize innovation, local action, and private stewardship. Water 2025 is an excellent example. They achieve conservation goals while maintaining private and local land ownership. They foster species protection through land management and cooperative, on-the-ground habitat improvements, complementing traditional funding of ESA regulatory programs.

Two proposals in the Interior Appropriations Act are of particular relevance to this subcommittee—Klamath River Basin and Everglades, which demonstrate our ability to work across the landscape cooperatively to accomplish our goals.

*Klamath River Basin.*—The 2006 budget commits \$62.9 million toward addressing water issues in the Klamath Basin and proposes an 8.4 percent increase for Interior



Department programs in the basin. In the short-term, water-supply conditions will continue to present challenges. As of mid-February, the snow pack in the upper Klamath River basin was 47 percent below average. With depleted groundwater supplies and expected continued drought conditions, the risks to endangered and threatened fish in the basin persist. We also anticipate impacts to the people and communities dependent on the river, including upper basin irrigators and downstream Indian and commercial fishermen. Federal efforts in the basin will continue to focus on long-term solutions to resolving conflicts between the many competing uses for scarce water.

*Everglades Restoration.*—Interior is also continuing its work with the Corps of Engineers and the State of Florida to complete the Modified Water Deliveries Project (Mod Water), a key to restoring natural flows in the Everglades. The Mod Water project includes water control structures to restore more natural hydrologic conditions within the Park as well as a flood mitigation system to protect adjacent residential and agricultural areas. The ability to deliver adequate supplies of clean water at the right time of the year is critical to the restoration of the Park's natural resources. Once completed, this project will provide much needed flexibility to water managers and serve as a strong foundation for future benefits under the Comprehensive Everglades Restoration Plan (CERP).

Under a new agreement between the Department and the Corps of Engineers, the cost to complete the project will be shared by NPS and the Corps. Within the 2006 request for NPS construction is \$25.0 million. The NPS contribution consists of \$8.0 million in new funding and \$17.0 million redirected from unobligated balances for Everglades land acquisition not currently needed for high-priority acquisitions. The 2006 budget for the Corps includes \$35.0 million for the project. Over the period 2007 to 2009, the Corps will contribute an estimated additional \$88.0 million and the NPS an additional \$41.0 million.

*Other Cooperative Conservation Programs.*—Through partnerships, Interior works with landowners and others to achieve conservation goals across the Nation and to benefit America's national parks, wildlife refuges, and other public lands. The 2006 budget includes \$381.3 million for the Department's cooperative conservation programs. These programs leverage limited Federal funding, typically providing a non-Federal match of 50 percent or more. They provide a foundation for cooperative efforts to protect endangered and at-risk species; engage local communities, organizations, and citizens in conservation; foster innovation; and achieve conservation goals while maintaining working landscapes.

Our budget proposes funding for the Landowner Incentive and Private Stewardship programs at a total of \$50.0 million, an increase of \$21.4 million from 2005. Through these programs, our agencies work with States, Tribes, communities, and landowners to provide incentives to conserve sensitive habitats in concert with traditional land management practices such as farming and ranching, thus maintaining the social and economic fabric of local communities.

Our budget proposes to fund challenge cost-share programs in BLM, FWS and NPS at \$44.8 million. These cost-share programs better enable Interior's land management agencies to work together and with adjacent communities, landowners, and other citizens to achieve common conservation goals. The 2006 proposal represents an increase of \$25.7 million.

The challenge cost-share program includes \$21.5 million for projects that are targeted to natural resource conservation. In 2004, the Congress provided \$21.2 million for these cost-share grants. Leveraged with matching funds this provided a total of \$52 million for on-the-ground projects including more than \$19 million for projects to eradicate and control invasive species and weeds.

For example, in New Mexico, the Bosque del Apache refuge is working with the local community to restore riparian habitat along the Rio Grande River by eliminating tamarisk on over 1,100 acres.

We also propose level or increased funding for a suite of other FWS cooperative programs: the Partners for Fish and Wildlife program, the Coastal program, the Migratory Bird Joint Ventures program, the North American Wetlands Conservation Fund, the State and Tribal Wildlife grants program, and the Cooperative Endangered Species Conservation Fund. These programs support a cooperative approach to conservation that emphasizes voluntary partnerships with private landowners, local governments, Tribes, and community organizations.

#### CONCLUSION

The budget plays a key role in advancing our vision of healthy lands, thriving communities, and dynamic economies. Behind these numbers lie people, places, and partnerships. Our goals become reality through the energy and creativity efforts of

our employees, volunteers, and partners. They provide the foundation for achieving the goals highlighted in our 2006 budget.

This concludes my overview of the 2006 budget proposal for the Department of the Interior and my written statement. I will be happy to answer any questions that you may have.

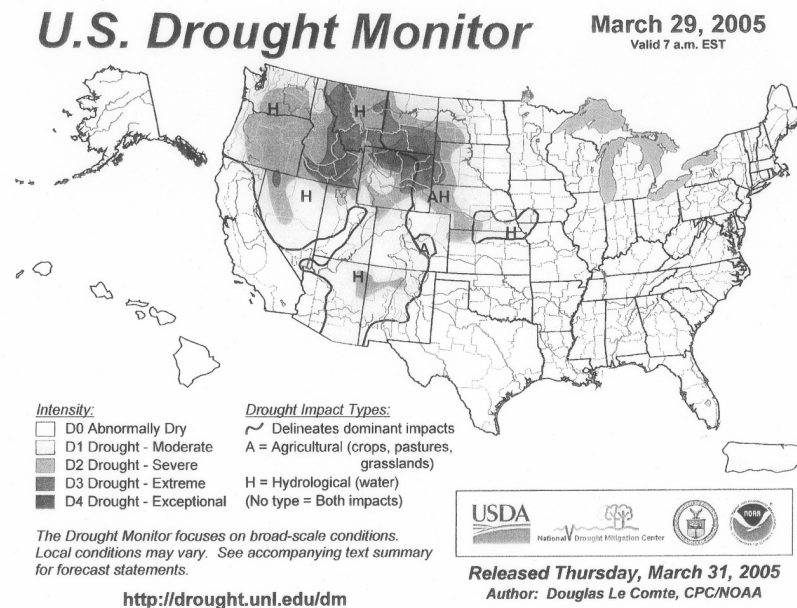
Senator BOND. Thank you. Mr. Keys.

STATEMENT OF JOHN W. KEYS, III

Mr. KEYS. Mr. Chairman, it's my pleasure to be here this afternoon, and we do appreciate the opportunity to come and talk to you about our fiscal year 2006 budget. As Tom said, with me today is Bob Wolf, my Director of Program and Budget. Before I go ahead with the statement, let me tell you how much we appreciate working with your committee staff and the committee members. They have been very understanding of what we tried to do and how we tried to do it. Before I get into the 2006 budget discussion, I would just like to take a minute to update you on water supply conditions in the West.

DROUGHT

We put out these charts for you before we got started. Unfortunately, the drought continues this year, and we are extremely concerned about it.



The chart that you have there—shows the typical El Niño setup for the western United States, rain in the southwest and almost nothing across the northern tier. For example, the Columbia River basin expects about 60 percent of normal runoff. In Eastern Oregon, Western Idaho, and parts of Montana, it's about 50 percent. Some parts of Montana and Wyoming are even less than 50 per-

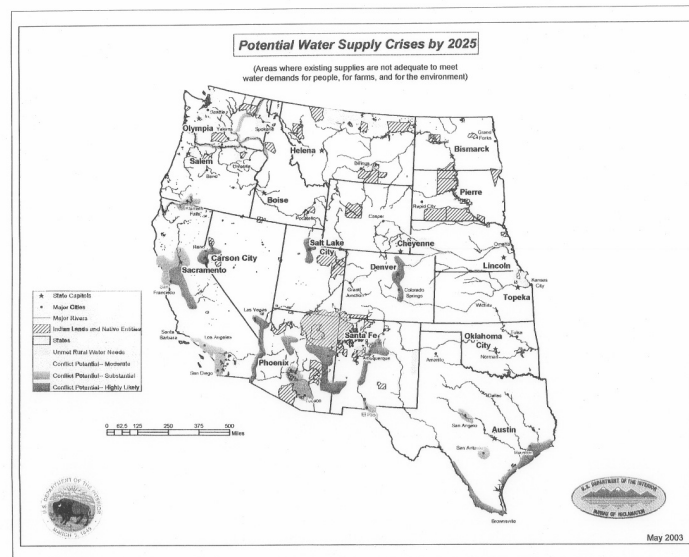
cent, and the Yakima basin, in the middle of the chart, is about 35 percent.

Those are just some of the typical numbers that we're working with, and the drought continues in that part of the country. Now, I'd like to turn to the fiscal year 2006 budget. The overall Reclamation request totals about \$947 million in current authority and is offset by discretionary receipts: for the Central Valley Project restoration fund of about \$44 million, and Hydropower direct financing is about \$30 million. The request continues to emphasize the operation and maintenance of Reclamation facilities in a safe, efficient, economic, and reliable manner, while sustaining the health and integrity of ecosystems that address the water needs of a growing population in the West. As part of this emphasis, \$65 million is requested for our Safety of Dams program. Our fiscal year 2006 request has been designed to support Reclamation's mission of delivering water and generating hydropower consistent with the applicable State and Federal law in an environmentally responsible and cost efficient manner.

#### HIGHLIGHTS OF THE FISCAL YEAR 2006 BUDGET REQUEST

Some highlights of this budget proposal: Water 2025 request \$30 million for fiscal year 2006. It builds off of the fiscal year 2005 Water 2025 effort that we feel has been very successful. It is a high priority in Reclamation, both financial and technical, and it has focused resources into those areas of the West where conflict and crisis over water exists now or could be predicted in the near future.

The hotspot map that we also passed out for you, shows some of those areas in the West that are most likely to experience water supply crisis. These potentially water-short areas are the focus of the Water 2025 effort.



In the Klamath project in Oregon and California, we're asking for \$22 million. The fiscal year 2006 request continues and increases funding for our efforts in the Klamath basin that will improve water supplies to meet competing demands for water in the basin and ensure continued delivery of water to our project. The 2005 water supply forecast to date shows that 2005 will be a challenging year for irrigators and resource managers. These early forecasts depict snow packs at about 47 percent of normal. We're currently anticipating a dry water year operation and a dry water year in the Klamath River.

For the Middle Rio Grande project in New Mexico, we're requesting \$19 million. The 2006 request continues support of endangered species, through participation in the collaborative program. These efforts support the protection and recovery of the Rio Grande Silvery Minnow and the Southwestern Willow Flycatcher, and it requests funding for supplemental water channel maintenance, and government-to-government consultations with Pueblos and tribes.

On the Animas-La Plata project in Colorado and New Mexico, we're asking for \$52 million. The Animas-La Plata project is almost 21 percent complete and resolves, through authorizing legislation passed by the Congress in 2000, longstanding Indian water rights claims in the basin.

In our rural water program we're asking for \$57.5 million. The 2006 funding for rural water projects emphasizes a commitment to completing ongoing municipal, rural and industrial systems. Funding is included for the Mni Wiconi, Garrison, and Lewis and Clark projects. The administration submitted a proposal to Congress last year to authorize a formal rural water program, and while it did not pass in the last Congress, we're working closely with the authorizing committees to move this forward. Until such legislation

is enacted, funding is only requested for ongoing rural water projects.

For the CALFED Bay-Delta program, we're asking \$35 million. President Bush signed the historic legislation on October 25, 2004, authorizing the CALFED Bay-Delta program. The funding is intended for the following areas: \$10 million for environmental water account, \$10 million for the storage program, \$3 million for water conveyance, \$4 million for water use efficiency, \$4 million for ecosystem restoration, and \$4 million for program and management, and Reclamation's oversight.

#### PREPARED STATEMENT

Mr. Chairman, in conclusion I want to strongly reiterate that the fiscal year 2006 budget request demonstrates Reclamation's commitment in meeting the water and power needs of the West in a fiscally responsible manner. Thanks again for your continued support, and we would certainly try to answer any questions you might have.

[The statement follows:]

#### PREPARED STATEMENT OF JOHN W. KEYS, III

Thank you, Mr. Chairman, Mr. Reid, and members of the subcommittee, for the opportunity to appear before you today to support the President's fiscal year 2006 budget request for the Bureau of Reclamation. With me today is Bob Wolf, Director of Program and Budget.

Our fiscal year 2006 request has been designed to support Reclamation's mission of delivering water and generating hydropower, consistent with applicable State and Federal law, in an environmentally responsible and cost efficient manner.

Funding is proposed for key projects that are important to the Department and in line with administration objectives. The budget request also supports Reclamation's participation in efforts to meet emerging water supply needs to promote water conservation and sound water resource management, and help prevent conflict and crises over water in the west.

The fiscal year 2006 request for Reclamation totals \$946.7 million and is offset by discretionary receipts in the Central Valley Project Restoration Fund of \$43.9 million and proposed hydropower direct financing of \$30.0 million. In addition, Reclamation's program includes permanent authority of \$80.0 million. The total program, after offsets to current authority and the inclusion of permanent authority, is \$952.8 million.

#### WATER AND RELATED RESOURCES

The fiscal year 2006 request for the Water and Related Resources account is \$801.6 million. The request provides funding for five major program activities: Water and Energy Management and Development (\$320.8 million); Land Management and Development (\$35.3 million); Fish and Wildlife Management and Development (\$84.0 million); Facility Operations (\$206.5 million); and Facility Maintenance and Rehabilitation (\$185.2 million). The request is partially offset by an undistributed reduction of \$30.2 million, commonly referred to as underfinancing, in anticipation of delays in construction schedules and other planned activities.

The request continues to emphasize the operation and maintenance of Reclamation facilities in a safe, efficient, economic, and reliable manner, while meeting our requirements to sustain the health and integrity of ecosystems that are connected to those operations. It will also assist the States, Tribes, and local entities in solving contemporary water resource issues in advance of crises over water.

Highlights of the fiscal year 2006 request for Water and Related Resources include:

*Water 2025 (\$30 million).*—Water 2025 allows Reclamation to continue playing an important role in working with State and local communities to develop solutions that will help meet the increased demands for limited water resources in the West, and avoid water conflicts in areas particularly susceptible to an imbalance between supply and demand. As in fiscal year 2004 and fiscal year 2005, funding will be di-

rected to on-the-ground projects selected through a competitive challenge grant program with a 50:50 match.

*Klamath Project in Oregon and California (\$22.0 million).*—The fiscal year 2006 funding request continues on-the-ground initiatives to improve water supplies to meet agricultural, tribal, wildlife refuge, and environmental needs in the Klamath Basin and to improve fish passage and habitat. This is part of a \$62.9 million Department of the Interior request that includes the collaborative efforts of several bureaus. The initiative is focused on achieving immediate on-the-ground benefits. The 2005 water supply forecasts show that 2005 will be a challenging year for irrigators and resource managers. These early forecasts depict snow pack at 47 percent below average. We are currently anticipating a dry water year in the lake and in the river.

*Lower Colorado River Operations Program (\$17.9 million).*—The fiscal year 2006 request will provide funding to continue work on development and anticipated implementation of the Lower Colorado River Multi-Species Conservation Program (MSCP). The MSCP will provide Endangered Species Act compliance for operations and maintenance activities associated with the Colorado River from the upper end of Lake Mead to the southern border with Mexico for 50 years. The Secretary of Interior, acting through the Bureau of Reclamation, has the unique role of “water master” for the lower Colorado River. LCROP includes river operations, water service contracting and repayment, decree accounting, oversight of hydropower activities, and fulfilling the requirements of the Secretary’s role as water master.

*Middle Rio Grande (\$19.0 million).*—The fiscal year 2006 request continues funding in support of the Endangered Species Collaborative Program. In addition, the request continues funding for acquiring supplemental water, channel maintenance, and pursuing government-to-government consultations with Pueblos and Tribes. Finally, the funding will continue efforts that support the protection and contribute to the recovery of the Rio Grande silvery minnow and southwestern willow flycatcher. One effort that may assist the silvery minnow is a proposed sanctuary that will support all life stages of the minnow. Reclamation, the U.S. Fish and Wildlife Service, and the Middle Rio Grande Conservancy District are cooperating in the planning of a sanctuary, and design is continuing. A site has been selected and is undergoing detailed evaluation for suitability.

*Animas-La Plata in Colorado and New Mexico (\$52.0 million).*—The fiscal year 2006 request includes \$52.0 million for the continued construction of Ridges Basin Dam and Durango Pumping Plant and project support activities.

*Columbia/Snake River Salmon Recovery in Idaho, Oregon, Montana, and Washington (\$17.5 million).*—This program addresses the implementation of Reasonable and Prudent Alternatives (RPAs) included in two Biological Opinions issued in December 2000. The fiscal year 2006 funding will address significantly increased regional coordination, off-site mitigation activities in selected sub-basins to offset hydrosystem impacts, and continue research, monitoring and evaluation efforts.

*Site Security (\$50.0 million).*—Since September 11, 2001, Reclamation has maintained heightened security at its facilities to protect the public, its employees, and infrastructure.

The funding in fiscal year 2006 is necessary to cover the costs of site security activities including:

- Surveillance and law enforcement;
- Anti-terrorism activities that include monitoring of information, personnel security, and threat management; and
- Physical security upgrades, with a primary focus on our National Critical Infrastructure facilities.

The fiscal year 2006 budget request proposes that annual costs associated with activities for guarding Reclamation facilities be treated as project O&M costs and be subject to reimbursement based upon project cost allocations. A report with a breakout of planned reimbursable and non-reimbursable costs by project, by region, will be provided to the subcommittee by May 1, 2005.

*Rural Water (\$57.5 million).*—The fiscal year 2006 funding for rural water projects emphasizes a commitment to completing ongoing municipal, rural, and industrial systems that were previously included in the President’s Budget. Funding is included for the Mni Wiconi, Garrison and Lewis and Clark projects. The administration submitted a proposal to Congress last year to authorize a formal rural water program in Reclamation and while it did not pass in the last Congress, we are working closely with the authorizing committees to again move this forward; and until such legislation is enacted, funding is only requested for on-going rural water projects.

*Hydropower Direct Financing (\$30.0 million).*—The fiscal year 2006 budget proposes to finance the costs of operation and maintenance of certain Reclamation hydropower facilities directly from receipts collected by the Western Area Power Ad-

ministration (WAPA) from the sale of electricity. Under this reclassification proposal, WAPA would transfer an agreed upon amount to the Bureau of Reclamation for deposit in its Water and Related Resources account. The transferred funds would be treated as an offsetting collection. A direct funding arrangement is already in place for the Bonneville Power Administration and some Western Area Power Administration facilities.

*Safety of Dams (\$69.9 million).*—The safety and reliability of Reclamation dams is one of Reclamation's highest priorities. Approximately 50 percent of Reclamation's dams were built between 1900 and 1950, and 90 percent of those dams were built before the advent of current state-of-the-art foundation treatment, and before filter techniques were incorporated in embankment dams to control seepage. Safe performance of Reclamation's dams continues to be of great concern and requires a greater emphasis on the risk management activities provided by the program. The fiscal year 2006 request of \$69.9 million for the Safety of Dams Program will reduce risks to public safety at Reclamation dams. The increase from the fiscal year 2005 level is for the purpose of initiating three Safety of Dams corrective actions.

#### POLICY AND ADMINISTRATION

The request for Policy and Administration is \$57.9 million. These funds are used to develop and implement Reclamation-wide policies, rules and regulations and to perform functions which, by statute, cannot be charged to specific project or program activities covered by separate funding authority. These funds support general administrative and management functions.

#### CENTRAL VALLEY PROJECT RESTORATION FUND

The fiscal year 2006 Reclamation budget includes a request for the CVP Restoration Fund of \$52.2 million, and is expected to be offset by discretionary receipts totaling \$43.9 million collected from project beneficiaries under provisions of Section 3407(d) of the Act. These funds will be used for habitat restoration, improvement and acquisition, and other fish and wildlife restoration activities in the Central Valley Project area of California. This fund was established by the Central Valley Project Improvement Act, Title 34 of Public Law 102-575, October 30, 1992. The funding request is calculated based on a 3-year rolling average of collections. The net amount requested for fiscal year 2006, after the offset, is the same as fiscal year 2005.

#### CALIFORNIA BAY-DELTA RESTORATION (CALFED)

CALFED legislation was signed into law on October 25, 2004, and the activities authorized in the legislation include water storage investigation, conveyance program activities, continuation of the environmental water account, levee construction activities, and oversight and coordination of the program. A total of \$35.0 million is requested for California Bay-Delta Restoration in the following areas: \$10.0 million for the environmental water account; \$10.0 million for the storage program; \$3.0 million for water conveyance; \$4.0 million for water use efficiency; \$4.0 million for ecosystem restoration; and \$4.0 million for program and management and Reclamation's oversight function.

#### PROGRAM ASSESSMENT RATING TOOL (PART)

As part of the fiscal year 2006 budget, Reclamation's Water Management/Supply—Planning and Construction and Recreation and Concessions programs were evaluated by the PART. The entire Water Management/Supply program has been separated into three components that will be reviewed over 3 years. The 3 components include: (1) Planning and Construction, fiscal year 2006; (2) Operations and Maintenance, fiscal year 2007; and (3) Environmental Protection and Mitigation, fiscal year 2008. In addition, Reclamation intends to PART the Site Security and Safety of Dams programs in fiscal year 2007.

#### PRESIDENT'S MANAGEMENT AGENDA

*E-Government.*—Reclamation continues to support Federal and Departmental E-Gov and Web initiatives, and anticipates increased coordination as we adopt the Department's E-Gov Strategy and scorecard for rating progress in this area. This support includes participation in planning groups, such as the Web Council, e-Authentication and E-Gov teams, as well as implementation and integration of content. Some specific initiatives requiring Reclamation involvement are the Department's Financial and Business Management System, Recreation.gov, and the Geospatial One-stop efforts. In addition, Reclamation has partnerships with numerous local,

State, and Federal organizations to share water management information and facilitate coordination using E-Gov technology.

*Financial Management Improvement.*—To support the President's Management Agenda on improving financial performance, Reclamation will continue to:

- Provide management with accurate and timely financial information to support operating, budget, and policy decisions;
- Improve financial and performance information integration;
- Ensure our financial information is fairly stated to achieve “unqualified” opinions from auditors; and
- Ensure our financial management systems fully comply with Federal financial system requirements and accounting standards.

Reclamation will continue to work closely with the Department of the Interior to improve financial processes and help consolidate information. To continue to achieve the President's and the Department's objectives for increased accountability, we will enhance our financial policies and procedures in support of the Department's Transformation of Interior Financial Management. This integrated business management plan, which is designed to achieve a consistent approach that will provide managers and employees with financial, performance, budget, and cost data that is timely and reliable, has many facets, including:

- The Financial and Business Management System (FBMS) which will combine various business management systems into one overall system linking planning and budget data to information performance and results;
- New processes and procedures that will allow monthly, quarterly, and annual reporting, analysis, and auditing to meet the November 15 report and audit date;
- Improving the process for issuing financial policies and procedures to help ensure consistency throughout the Department; and
- Performance measures and quality control procedures to provide standards for evaluating our processes.

Reclamation has made significant progress addressing financial management issues, including:

- Meeting OMB's accelerated November 15 deadline for completion of Reclamation's financial statements and receiving an unqualified opinion on the statements;
- Meeting and/or exceeding the Department's financial performance standards;
- Actively participating in the Department's FBMS initiative to include the functional design requirements and project management support;
- Completing 11 of 12 financial statement audit findings;
- Successfully implementing the Department's Activity Based Costing (ABC) initiative in an effort to improve budget and performance integration; and
- Completing an erroneous payment risk assessment as required by the Improper Payments Information Act of 2002.

Reclamation has received an “unqualified” opinion on all reports issued, which demonstrates our strong commitment to accurate and timely reporting. We will continue providing timely and useful information for management, the administration, and Congress to forge effective decision-making and providing reliable and accurate information for our publics and partners to forge effective relationships.

Reclamation has been actively involved in the Department's FBMS initiative to replace its existing legacy systems with an integrated financial and business management system, and has committed staff on a full-time basis to assist the Department with the implementation of FBMS in all bureaus over the next 4 years. Reclamation staff has also participated in the Department's fiscal year 2004 Blueprint effort to determine how to best design the functionality of the new enterprise system on a Department-wide basis. Reclamation will implement FBMS in a deployment to take place at the beginning of fiscal year 2008, and will use fiscal year 2007 to plan and prepare for the implementation.

*Competitive Sourcing.*—Reclamation continues to comply with the Federal Activities Inventory Reform Act and OMB competitive sourcing requirement needs, e.g., training, contractor support and employee related competitive sourcing support costs. Under the revised OMB Circular A-76, Performance of Commercial Activities, all A-76 studies must now focus on either standard or streamlined competition, thus eliminating previously used direct conversion studies. Reclamation developed a “Green Plan” for fiscal year 2005–2008 to guide future efforts.

*Human Capital.*—In support of the President's Management Agenda, Human Capital Initiative and the Department's Strategic Human Capital Management Plan (fiscal year 2003–2007), the Strategic Human Capital Management Implementation Plan (December 12, 2002), and Reclamation's Workforce Plan (2004 to 2008), numerous action items have been developed that identify implementation plans and ex-



pected results. Reclamation will dedicate staff and align human resources strategically in support of efforts necessary to close mission-critical competency gaps. It will do so by: successfully competing for talent and developing an accountability system to ensure that human capital management is merit based, effective, efficient and supportive of Reclamation's mission accomplishment.

Reclamation is implementing a new performance management system in 2005 that applies to all non-SES employees and provides for a five-level system in contrast to the previous two-level system of pass/fail. It gives management the tools to reward exceptional performance and the ability to address performance problems. This system also assures the linkage of individual accomplishments with organizational goals. SES managers converted to this goal in 2004.

In addition, there are plans to fully implement QuickHire, an automated staffing program by fiscal year 2006. Funding will also be directed to support additional e-Gov initiatives such as the Learning Management System for training and development.

*Performance and Budget Integration.*—Reclamation continues to make strides in its budget and performance integration initiative. This progress includes strengthening its performance based budgeting framework through the use of integrated cost, budget and performance data to support decisionmaking. During the initial stages of budget development, budget and performance guidance are integrated and distributed to regional and area offices. The guidance sets forth requirements for integrating budget and performance on a project by project and/or program basis.

Performance targets are set during the preliminary phase of budget development, and regions are required to link all funding requests to the Department's Strategic Plan and its associated goals and measures. Throughout the 2006 budget process, performance targets are adjusted for increases/decreases in funding and analysis of project/program impacts.

During the 2006 budget development process, ABC data was used for the first time to help establish funding baselines. Implemented in 2003 in conjunction with Department's system, Reclamation has refined its ABC activities and processes over the past year, and completed a trial run of ABC reporting. During the 2007 budget development process, cost data will be further refined, analyzed and presented to Reclamation leadership with recommendations for its use in the decision making process.

#### FISCAL YEAR 2006 PLANNED ACTIVITIES

In fiscal year 2006, Reclamation plans to continue striving for excellence in the President's management initiatives, which include competitive sourcing, strategic work force management, improved financial performance, expanded electronic government, and integrated budget and performance and asset management. The Bureau of Reclamation is committed to the administration's management reform agenda.

Reclamation's use of activity-based cost management data, together with modifications to making the required deliveries of water under Reclamation contracts; optimize hydropower generation, consistent with other project purposes, agreements, and the President's energy policy; and incorporate environmental, recreational, land management, fish and wildlife management and enhancement, water quality control, cultural resources management, and other concerns into the water supply and power generation actions of Reclamation, are one example. Reclamation also plans to identify water supply needs for consumptive and non-consumptive purposes in Reclamation States in the next 25 years that are likely to be unmet with existing resources.

The fiscal year 2006 budget proposes to re-allocate repayment of capital costs of the Pick-Sloan Missouri Basin program. Power customers would be responsible for repayment of all construction from which they benefit, whereas to date they have only been responsible for a portion of the costs. This change would increase reimbursements from power customers by \$33.0 million in 2006, and declining amounts in future years. Rate increases for power customers could be phased in over time. Authorizing legislation will be submitted.

The fiscal year 2006 budget request demonstrates Reclamation's commitment in meeting the water and power needs of the West in a fiscally responsible manner. This budget continues Reclamation's emphasis on delivering and managing those valuable public resources. In cooperation and consultation with the State, tribal, and local governments, along with other stakeholders and the public at large, Reclamation offers workable solutions regarding water and power resource issues that are consistent with the demands for power and water. With the need to pursue cost effective and environmentally sound approaches, Reclamation's strategy is to con-

tinue to use the Secretary's four "C's:" "Conservation through Cooperation, Communication, and Consultation". These principles provide Reclamation an opportunity, in consultation with our stakeholders, to use decision support tools, including risk analyses, in order to develop the most efficient and cost-effective solutions to the complex challenges that we face.

Moreover, Reclamation's request reflects the need to address an aging infrastructure and the rising costs and management challenges associated with scarce water resources. As our infrastructure ages, we must direct increasing resources toward technological upgrades, new science and technologies; and preventative maintenance to ensure reliability; which will increase output, and improve safety.

#### CONCLUSION

Mr. Chairman, please allow me to express my sincere appreciation for the continued support that this committee has provided Reclamation. This completes my statement. I would be happy to answer any questions you may have at this time.

#### PREPARED STATEMENT OF J. RONALD JOHNSTON

Senator BOND. Thank you very much Mr. Keys. Ronald Johnston has submitted a statement which will be included in the record as well.

[The statement follows:]

#### PREPARED STATEMENT OF RONALD JOHNSTON

My name is Ronald Johnston. I serve as the Program Director of the Central Utah Project Completion Act Office under the Assistant Secretary—Water and Science in the Department of the Interior. I am pleased to provide the following information about the President's fiscal year 2006 budget for implementation of the Central Utah Project Completion Act.

The Central Utah Project Completion Act, Titles II–VI of Public Law 102–575, provides for completion of the Central Utah Project (CUP) by the Central Utah Water Conservancy District. The Act also authorizes funding for fish, wildlife, and recreation mitigation and conservation; establishes an account in the Treasury for deposit of these funds and other contributions; establishes the Utah Reclamation Mitigation and Conservation Commission to coordinate mitigation and conservation activities; and provides for the Ute Indian Rights Settlement.

The Act provides that the Secretary may not delegate her responsibilities under the Act to the Bureau of Reclamation. As a result, the Department has established an office in Provo, Utah, with a Program Director to provide oversight, review, and liaison with the District, the Commission, and the Ute Indian Tribe, and to assist in administering the responsibilities of the Secretary under the Act.

The 2006 request for the Central Utah Project Completion Account provides \$34.4 million for use by the District, the Commission, and the Department to implement Titles II–IV of the Act, which is \$13.3 million less than the 2005 enacted level. A substantial portion of this decrease is due to a transfer of budgetary authority and responsibility from the Department of the Interior to the Western Area Power Administration (WAPA). WAPA is requesting \$6.7 million for this purpose, and will transfer it to the Department of the Interior for use on the CUP. Of those funds, some will go to administrative expenses for the Mitigation Commission, and the balance will be added to the corpus of the Utah Reclamation Mitigation and Conservation Account, which is projected to have a balance of \$150 million by the end of fiscal year 2006.

The funds requested for the District (\$31.3 million) will be used to fund the balance of the Federal share of the completed Diamond Fork System (\$14.6 million); to continue construction on Uinta Basin Replacement Project (\$12.2 million); and to implement water conservation measures, local development projects, and continue planning and NEPA compliance for the Utah Lake System (\$4.5 million).

The funds requested for the Mitigation Commission (\$946,000) will be used to implement the fish, wildlife, and recreation mitigation and conservation projects authorized in Title III (\$475,000); to implement the fish and wildlife activities associated with the Uinta Basin Replacement Project (\$210,000); and to complete mitigation measures committed to in pre-1992 Bureau of Reclamation planning documents (\$261,000). We note that the Mitigation Commission has approximately \$19 million in prior year carryover balances that will make it possible to carry out a wide array of scheduled activities in 2006.

Finally, the request includes \$2.1 million for the Program Office. This includes \$1.7 million for program administration, and \$397,000 for mitigation and conservation projects outside the State of Utah and for operation and maintenance costs associated with instream flows and fish hatchery facilities.

In conclusion, we appreciate the opportunity to testify before the committee and would be happy to respond to any questions.

#### WATER 2025

Senator BOND. I would ask you how you respond to claims made by environmental groups that Water 2025 does not do enough to restore rivers and is therefore a missed opportunity, and that the initiative is merely a repackaging of previous Bureau activities.

Mr. KEYS. Well, Mr. Chairman, that's a good question. The approach that we've taken is to look throughout the western United States to find those areas where there are crises looming on the horizon, if they're not there already, because of exploding populations, because of new water requirements for industry or the Endangered Species Act or other recreational needs. They're hotspots on our map in that people could be short of water within the next 20 to 25 years.

What we're trying to do there is through water conservation, use of new technologies, other cooperative agreements, and the infusion of seed money for projects encourage those people to stretch the existing water supplies much further than they have been doing. So to say that it's repackaging, let me just give you an example from the fiscal year 2004 program. We had \$4.5 million for challenge grant programs that money was leveraged in projects that exceeded \$30 million in total cost. So the monies we put into it were leveraged in excess of seven times to address water conservation. So I would certainly not see that as repackaging of old ideas.

Mr. WEIMER. Mr. Chairman, may I add to that?

Senator BOND. Please.

Mr. WEIMER. When we worked with Secretary Norton to craft this program, we targeted it, and we have been criticized for doing that. We've been criticized by environmentalists for not including in the program some of the things that they thought were important. We've also been criticized by people on the water supply side for not including in our grants new substantial water storage. We had to target it because it was a small program, a growing program that we wanted to have an impact. As Commissioner Keys said, we believe that through leveraging, we are beginning to see that impact now that we're in the third year of the program.

#### WATER STORAGE

Senator BOND. Thank you. A general question on the administration's 2006 budget proposal, how does it address the ever increasing water needs in the West, particularly the need for increased water storage, and what is the administration's position, I think you mentioned to it, and alternative funding mechanism such as allowing guarantee program or water trust fund?

Mr. KEYS. Mr. Chairman, we have a number of efforts underway. Looking at new storage in the CALFED bill we talked about, there's \$10 million for new storage studies. There are four main projects there: the raising of Shasta Dam, the enlarging of Los Vaqueros reservoir, working with the State on Sites Reservoir, and

looking at new storage in the San Joaquin basin and the Temperance Flats area. We're working in the State of Washington in the Yakima basin on a storage study for that basin. We're building a new project in Southwestern Colorado, the Animas-La Plata Project, so there are studies of storage going on there.

I would certainly say that we are looking in those areas where we might need new storage. The water conservation efforts that we have underway at sometime will point to where we need new storage.

Senator BOND. Alternative funding?

Mr. KEYS. I'm sorry, I almost forgot. Thank you for reminding me. One of the things that we're trying to see is how we can keep our aging infrastructure functioning for years to come. Over the years in Reclamation, we lost those funding mechanisms we had: the Small Reclamation Project Loan, the Rehabilitation and Loan Program, and Drainage and Minor Construction Program. We're trying to look at a guaranteed loan program that we will work with the Department of Agriculture to implement the program would give us and our water users funding mechanisms to address maintenance work that may be overdue on some of their projects and to look at new storage.

I was asked the other day, what a dam in the future might look like, or a reservoir. I think if you look at the physical structure, it will be almost the same, but if you look at the funding mechanism behind it and the storage in the reservoir, it will probably be much different because of the cooperative agreements between the Federal Government and the States, the counties, municipalities, and other groups that fund the project and have water in there to operate. Certainly the challenge grant program would fit very well into that.

Senator BOND. Thank you very much gentlemen, I have a 3:30 compelling appointment that is set up, so I'm going to turn the gavel over to Senator Allard, a distinguished member of the committee and I would ask him to continue as long as he feels it's necessary and then to conclude the hearing. And I thank you very much for your testimony, thank you Senator Allard.

Senator ALLARD [presiding]. Thank you, Mr. Chairman. I want to start off with a question that's a little bit astray. But you do, the Bureau of Reclamation, control water releases from Lake Powell, is that correct?

Mr. KEYS. That is correct.

#### LAKE POWELL

Senator ALLARD. Then you're familiar with the 8.23 release requirement—8.23 million release requirement there at Lake Powell?

Mr. WEIMER. Yes, we are.

Senator ALLARD. Apparently there's an argument going on as to whether you have the authority or not to, in some cases not to release that water. The water interest in Colorado think you have the authority to hold the water to restore levels in Lake Powell up to where they're adequate, and apparently there are some other interests that are arguing otherwise. I just want to know what you feel about that particular issue. Because everybody on our side is in agreement that you should be holding that so we don't get a

draw that breaks the Colorado River compact agreement in Colorado. I'd like to hear your comments on that, if you would, please.

#### COLORADO RIVER

Mr. WEIMER. Senator Allard, we are spending a substantial amount of time looking at this issue right now. In fact, John and I were both on a teleconference call with the seven basin States yesterday, monitoring their progress and discussions on how to handle a shortage on the Colorado River.

The Secretary has committed this month, April, to conducting a mid-year review of the annual operating plan for the Colorado River. One of the key elements of that is how much water should go through Glen Canyon Dam. We have been working with her, with the seven States in trying to identify what the options are. Clearly, if the drought were to deepen and continue, Lake Powell will continue to go down and you could lose the ability to generate power there within a couple of years. There's a little bit of good news in that this year, the April 1 runoff reports we just received for both the upper and lower basins indicate that we have a better-than-normal year. We will be getting some more inflows into Powell and the lake is projected now to come up about 45 feet.

Senator ALLARD. Southern Colorado has had their snow fall at about 200 percent of normal, northern Colorado I think we're at normal, maybe just a little bit below normal. This is an important issue to the State. So I wanted to get that question out there on the record and let you know that I'm concerned about it.

Mr. WEIMER. Yesterday, we offered to meet with the States in the lower and upper basins, and the seven individual States throughout this month, and we're beginning to set those meetings up to have those discussions.

#### COST OVERRUNS

Senator ALLARD. Very good, thank you. Now the other question I have is, at a recent Energy Committee meeting on water, the Family Farm Alliance stated that a number of its members had dealt with situations where cost estimates for work that would be done by the Bureau substantially were over the cost of having had the work done, if it had been done by consultants. This is part of the public record apparently in the committee, I didn't happen to be there at the time. Are there situations where you feel it can be done better in the private sector, and what is your reaction to that comment?

Mr. WEIMER. Let me start, if I may Senator, and then invite Commissioner Keys to respond. We're well aware of those criticisms, and some of them are valid. We have commissioned a study by the National Research Council, National Academy of Sciences, which began last month and which we hope to have finished before the end of the year, looking at this very issue, which is the future organization of the Construction Management components of the Bureau of Reclamation. We've certainly heard criticisms over the last several years, that's one of the reasons we went to the Secretary and said we really think we need to get an independent study. That is what we're doing this year.

Senator ALLARD. So your plan right now is that you're going to have a study and see what that shows, and if that shows some validity to it, then you move forward?

Mr. WEIMER. That's correct, although we have had some internal studies as well, and I might invite Commissioner Keys to comment on those.

Mr. KEYS. Mr. Chairman, the management of costs estimates is one of the most tricky things that an engineer has to do because the first thing when you talk to a water user they want to know is how much it's going to cost. Of course, we try to accommodate and give them a cost estimate. Typically, it takes several years to get the project up to where it's going, and you reiterate the design several times, and we end up having different cost estimates at the end.

The construction industry is pretty much "on its ear" right now, with the cost of materials around the world. The steel industry, the cement industry, and the diesel fuel costs are just "out of the roof" these days. China has had a severe impact on the supply of both cement and steel. That's a good excuse for a portion of it, but it's not all of it. That is why we're looking for the results of this study.

#### PERFORMANCE-BASED CONTRACTING

Senator ALLARD. Do you look at performance-based contracting on some of this? We've had some big projects in Colorado, they're cleanup projects, one is transportation—it is a combination of roads and mass transit, and another one is the cleanup of Rocky Flats. These projects had performance-based contracts and it helps them be more forthright on their bidding. Once they get the bid there are incentives in there to do better than what the bid provides for. Do you look at using that kind of mechanism?

Mr. KEYS. Mr. Chairman, we do use performance-based contracts. We use another process even before we even get to the contract, and it's called a value engineering process where we take the cost estimate and the final design, and with a peer group from outside, look at it and see if there's a better way to do it. That has helped some. We're looking at a number of things that we do contract out. There was a requirement by this committee in fiscal year 2003 that we use private contractors for 10 percent of our engineering service, and 2004, 20 percent, 2005, 30 percent, and in 2006, 40 percent, and we are honoring that requirement that was put by this committee.

#### PERMITTING PROCESS

Senator ALLARD. Thank you, just one more question and I'll let you go. In the permitting process, there was one reservoir project that took 18 years to get going on the project; what recommendations does Reclamation have to streamline the permitting process so that water projects don't dry up on the vine, before they go through the entire process of permitting?

Mr. KEYS. Mr. Chairman, I'm not familiar with the permit you're talking about, because Reclamation doesn't give permits to build reservoirs. We work with a project sponsor to see what they want in a project. Then that project sponsor comes to the Congress and gets it authorized, and then we build it. So I don't know about the

permitting process other than we have to do permits with the Fish and Wildlife Service, with NOAA Fisheries, with—for all of the endangered species, and so forth.

Senator ALLARD. My understanding is the 18 years started after initial authorization by the Congress. I mean it ran from the point of authorization by Congress, until we finally got the permitting.

Mr. KEYS. Mr. Chairman, if you'll give me the name of that one, I would certainly get the details for you, I will tell you over the past few years that we have taken a number of steps to try and streamline this process. We've reorganized several times, and I would say that these days, that 18 years would be out of the norm.

#### ADDITIONAL COMMITTEE QUESTIONS

Senator ALLARD. Okay. We will get that specific project to you, and we will have some discussion between my staff and your staff, and see what's there. Okay. Thank you very much. I want to thank you for your testimony. And do we leave the record open for comment for a period of time? Okay. The subcommittee will leave the record open for a week, for additional comments and questions and if you get any comments or questions from the Missouri Committee I would ask that you respond expeditiously if you would please.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

#### QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

##### MIDDLE RIO GRANDE

*Question.* The Reasonable and Prudent Alternatives specified in the 2003 Fish and Wildlife Service's Biological Opinion on the Rio Grande Silvery Minnow required the construction of two minnow refugia. In order to comply with this mandate, I have been working with the BOR Albuquerque Area Office to construct a minnow sanctuary. While the BOR has undertaken some pre-construction activities, there has been some question if the BOR had adequate authority to undertake construction of the sanctuary. I am pursuing legislation in Congress that would provide the authority necessary to construct the project. What is the status of the pre-construction activities underway?

Mr. KEYS. Reclamation is closely cooperating with the U.S. Fish and Wildlife Service and the Middle Rio Grande Conservancy District on the sanctuary project. Reclamation issued a contract order on March 7 for assistance in development of the appraisal level sanctuary conceptual design and preliminary environmental compliance requirements. With the passage of Public Law 109-13 on May 11, Reclamation now has authority to begin actual design work and environmental compliance, now scheduled to be completed by September 2005, with construction to begin as soon as possible thereafter.

*Question.* Assuming authorizing legislation is passed by Congress, how long following passage will it take to begin construction and ultimately complete the project?

Mr. KEYS. Planning activities are scheduled to be completed so that construction of the project could begin as early as October 2005 if appropriate authority and funding are in place. Construction of the project is expected to take 6 to 9 months.

*Question.* What do you anticipate will be the total cost for construction and operations of this facility?

Mr. KEYS. Preliminary cost estimates range from \$2 million to \$10 million for planning, design, and construction of the pilot phase of the sanctuary. Rights-of-way, land and water acquisition, and operation and maintenance expenses were not included in these estimates. Refined cost estimates will become available over the next few months as the design details of the sanctuary are solidified.

*Question.* Despite encouraging run-off forecasts, there remains a paucity of water in storage in the Rio Grande Basin. The BOR is tasked with meeting compact deliveries and complying with the Fish and Wildlife Service 2003 Biological Opinion.

Meeting the Biological Opinion requires providing water to meet minimum flow requirements.

Over the past 4 years, Congress has provided funding to assure that BOR can meet these obligations. It concerns me that the President's budget proposes an \$8 million cut in funding for Middle Rio Grande projects.

*Question.* How will the BOR meet its statutory and court-ordered obligations with such a greatly decreased budget?

Mr. KEYS. Our challenge is integrating requirements associated with the March 17, 2003, Biological Opinion, the Collaborative Program, and the Recovery Plan currently being developed in the Fish and Wildlife Service. We believe the fiscal year 2006 budget request, which is \$1 million more than the fiscal year 2005 request, is sufficient to meet the requirements of the Biological Opinion for fiscal 2006.

*Question.* Where does the BOR anticipate it will get water from this year in order to meet the regulatory requirements?

Mr. KEYS. Reclamation currently has in storage about 30,000 acre feet of water to meet the minimum water flows required by the 2003 Biological Opinion for the endangered Rio Grande silvery minnow and Southwestern willow flycatcher. With the above-average precipitation in the Rio Grande Basin, the water in storage should be enough to meet these requirements during 2005. In addition Reclamation will pursue leasing additional water from San Juan-Chama contractors.

*Question.* Pursuant to the 1982 agreement between the MRGCD and the six Middle Rio Grande Pueblos, the BOR is responsible for delivering water to meet the Pueblos "prior and paramount" rights. The BIA was also given authority to ensure that these obligations were met. The signatory Pueblos rely upon the BOR to deliver the water that they hold rights to in order to irrigate over 8,000 acres of land. The Pueblos question if the BOR is delivering water consistent with the 1982 agreement and has questioned if the BIA is fulfilling its trust responsibility. Furthermore, the Pueblos rely on the BOR for irrigation infrastructure which has fallen into a state of disrepair and needs to be upgraded. How does your department plan to resolve the conflict that has arisen between the BIA, BOR, and Pueblos?

Mr. WEIMER. The Department of the Interior established a technical team consisting of representatives from Reclamation, the U.S. Geological Survey, and the Bureau of Indian Affairs to evaluate potential differences regarding the interpretation of the 1981 Agreements in "prior and paramount" storage calculation procedures and to provide recommendations. This review, as well as further discussions with the Pueblos and others should help resolve any remaining issues regarding "prior and paramount" storage.

*Question.* Does the department have any plans to quantify Indian rights?

Mr. WEIMER. No adjudication of water rights, including Pueblo water rights, has been instituted on the Middle Rio Grande.

*Question.* How does the BOR plan to upgrade and maintain the Pueblo water delivery infrastructure?

Mr. KEYS. Portions of the six Middle Rio Grande Pueblos irrigation infrastructure fall within the boundaries of the Middle Rio Grande Project and can be served by Reclamation. There are two types of facilities that deliver water to Pueblo lands: Middle Rio Grande Project facilities that deliver water to a Pueblo as a whole and facilities which are tribal-owned that deliver water to individual farms. Reclamation works with the Middle Rio Grande Conservancy District to ensure that Middle Rio Grande Project facilities are maintained, including those which deliver water to the Pueblos. Reclamation has no legal authority to rehabilitate Pueblo on-farm ditches. Rather, the Bureau of Indian Affairs has responsibility and authority to work on non-Reclamation Project systems on Pueblo lands.

*Question.* Is funding available for these purposes through Water 2025 or other grants?

Mr. WEIMER. Congress has specified that the Middle Rio Grande Conservancy District receive about \$3 million under Water 2025 for water conservation and infrastructure improvements. A Water 2025 contract has been awarded to the District for specific work activities on four of the six Pueblo facilities within the Middle Rio Grande Project. The completed work will benefit all six Pueblos with improved water delivery, management, and efficiency.

In addition, Reclamation has authority to expend general planning and technical assistance funds, as well as funding from its Native American Affairs Program to assist tribal governments with plans to protect, manage, and develop water and related resources.

*Question.* How do you plan to meet these trust responsibilities?

Mr. KEYS. The Bureau of Reclamation has taken and will continue to take actions authorized under Reclamation law which benefit Indian tribes. To the extent that



Reclamation can act pursuant to law to protect trust assets of Indian tribes and provide them water resource assistance, Reclamation will do so.

#### ANIMAS-LA PLATA

*Question.* Despite past claims of mismanagement and poor planning and oversight, the A-LP project is now proceeding at an acceptable rate. The President's budget calls for \$52 million for the project in fiscal year 2006. However, some of the project beneficiaries claim that the project requires \$75 million in fiscal year 2006 to keep it on schedule. This project is of great importance to the communities of northern New Mexico and southern Colorado. Do you believe that the \$52 million requested by the administration is adequate to keep the project on schedule?

Mr. KEYS. The amount requested by the administration is adequate to maintain the current schedule.

*Question.* What precautions are being taken to ensure that there are not further cost overruns with the project?

Mr. KEYS. We have made several significant changes in one approach to management of Animas-La Plata construction and coordination with sponsors. We have made changes to streamline reporting on accountability within Reclamation for the ALP. The ALP Construction Office is responsible for all matters pertaining to the construction of the project. This office is managed by a Project Construction Engineer who reports directly to the Regional Director of the Upper Colorado Region in Salt Lake City, Utah. The construction office continually evaluates ways to save costs and still maintain the project features. Additional cost tracking procedures implemented in 2004 now relate all project costs to the cost estimate (indexed for inflation) for early detection of problems. This cost information is shared with the Project Sponsors on a monthly basis.

*Question.* How is the BOR addressing recent environmental challenges?

Mr. KEYS. Funding for the completion of the cultural and environmental mitigation features of the project has been given a high priority within the ALP project budget. Although construction of project facilities has been faced with many environmental challenges, ranging from controlling extreme flood events to protection of nesting golden eagles, these challenges have been resolved in a timely fashion. All environmental compliance and mitigation obligations are currently either being met or are on schedule to be completed concurrent with project facility construction.

#### WATER TECHNOLOGY R&D

*Question.* Recent drought and population growth in the western United States requires that we make more efficient use of water and develop technologies to make use of previously impaired or unusable water. During the 1960's, the Federal Government funded extensive research in water technology which resulted in reverse osmosis—the desalination technique most widely used today.

I believe that the Federal Government should renew its investment in water treatment technology. Toward this end, I have funded construction of a Tularosa Basin Desalination Research and Development center in New Mexico. Also, I plan to introduce legislation this year that would create a program to develop the next generation of water treatment technologies. What do you believe is the Federal Government's role in water technology research?

Mr. WEIMER. The administration is currently evaluating Federal research and development efforts in desalination, to clearly establish long-term goals and ensure that our efforts are carried out in accordance with the administration's Research and Development Investment Criteria, and that these efforts represent the best investment of Federal resources.

*Question.* As you are aware, the authority for the BOR's Water Desalination Research and Development Act of 1996 expires this year. Do you believe that this program should be reauthorized and with what changes?

Mr. WEIMER. Yes. Public Law 104-298, the Water Desalination Research and Development Act of 1996 (the Act), authorizes the award of desalination research grants and contracts. Extended authority would enable Presidential requests and Congressional appropriations for these purposes to continue under this Public Law. We do not recommend changes to the program at this time.

#### RURAL WATER LEGISLATION

*Question.* As you are aware, my staff has been working with the BOR and the minority staff to develop legislation to aid small and rural communities to meet their often extensive water needs. Many western communities rely on aquifers for water that will be depleted within the next decade. This fact makes the situation especially desperate.

There are also rural water programs within several other agencies. However, they are not as broad in scope and not of the scale that would allow many communities to make use of them.

Furthermore, it is my belief that the BOR has the technical expertise to undertake such a project. Is a rural water program a new authority that you feel would be appropriate for the BOR to undertake?

Mr. KEYS. Yes, we believe that legislation to establish a rural water program would enable the Secretary, through the Bureau of Reclamation, to set priorities and establish clear criteria and guidelines for the rural water supply projects authorized by Congress for Reclamation's involvement. Although the administration supports establishing a formal rural water program within the Bureau of Reclamation, the President's fiscal year 2006 Budget states that a recommendation regarding potential consolidation and re-alignment of the Federal rural water programs will be forwarded to a proposed "Results Commission." The administration will pursue both options simultaneously.

Since the early 1980's, Congress has directed Reclamation to develop 13 independently authorized, single-purpose municipal and industrial water supply projects for rural communities throughout the West. In the course of developing the 2004 budget, Reclamation participated in two performance assessments—the Program Assessment Rating Tool (PART) and a review to develop a set of common performance measures for all Federal agencies that play a role in delivering water to rural areas. Both assessments found shortcomings in Reclamation's involvement in rural water projects, mainly due to the lack of a formal rural water program. Consistent with the assessments' recommendations, legislation was introduced in the 108th Congress that would allow the Department of the Interior to set priorities and establish a Reclamation rural water program with adequate controls and clear guidelines for project development. We are continuing to work with the Committee staff on this effort in the 109th Congress.

*Question.* What form do you see this program taking?

Mr. KEYS. During the 108th Congress, the administration submitted legislation (S. 2218), to establish a rural water program within the Bureau of Reclamation. While there was a hearing before the Senate Committee on Energy and Natural Resources in March, 2004, no further action was taken on this bill, or on the two other proposals (S. 1732 and S. 1085) that were introduced by Chairman Domenici and Senator Bingaman respectively before the 108th Congress adjourned. Since the beginning of the 109th Congress, we have been working very closely with the Senate Energy Committee staff from both the majority and minority sides to brainstorm solutions to address the complicated issues we are facing and we believe that we have narrowed issues that require more work. As you may be aware, Chairman Domenici and Ranking Member Bingaman, along with several other committee members have introduced S. 895 to establish a rural water program within the Bureau of Reclamation. It has been a pleasure to be a part of this bi-partisan process which we hope very much will culminate in enactment of a rural water program that meets the fair expectations of rural communities and U.S. taxpayers. The fact that there is but a single rural water bill before the committee in this Congress reflects the positive spirit of consultation and collaboration among this committee's bi-partisan leadership and the Department. We look forward to continuing the effort to work through the remaining issues and move ahead with this proposal on a bi-partisan basis.

*Question.* Do you feel that a loan guarantee program is a viable mechanism to aid rural communities?

Mr. KEYS. A loan guarantee program could offer many mechanisms for providing assistance to communities to develop rural water projects. One concern is the capability of rural communities to pay off these interest-bearing loans when they would also be paying 100 percent of the annual operation, maintenance and replacement costs for these water facilities. We are currently evaluating budgetary, programmatic, and staffing implications for the Bureau.

#### WATER 2025

*Question.* The Bureau of Reclamation has advocated for the new Water 2025 program for 2 years and the administration has now proposed \$30 million for fiscal year 2006 to carry on these activities. The administration has been articulate about the tools used to implement this program to include cooperation, new water treatment technology and so forth, but the actual goals of the program are not clear. Can you re-articulate the concrete goals of the Water 2025 program and provide us with an assessment of how these goals are being met with the first 2 years of investment?

Mr. KEYS. The overarching goal of Water 2025 is to help prevent crises and conflict over water in the West. Water 2025 can reach this goal by using the most effective low-cost options for increasing water supplies that are available, including: (1) Conservation, Efficiency, and Markets, (2) Collaboration, (3) Improved Technology, and (4) Remove Institutional Barriers and Increase Interagency Cooperation. In an effort to strengthen and further focus Water 2025, the program is currently developing measurable program goals and performance measures to track progress toward those goals.

In the 2 short years since Water 2025 was initiated, the program is already making progress towards preventing crisis and conflict over water in the West. We are very pleased with the enthusiastic response to the fiscal year 2005 Challenge Grant Request for Proposals, having again received over 100 proposals for Challenge Grant funding for the second year in a row.

The fiscal year 2004 Challenge Grant Program demonstrated how leveraging the Federal investment can provide tremendous benefits. For the \$4 million available for the fiscal year 2004 Challenge Grant Program, 19 projects were selected in 10 different States. These projects represent a total of almost \$40 million in on-the-ground water delivery system improvements, including Reclamation's contribution of \$4 million and a non-Federal contribution of approximately \$36 million. This represents a 10 percent investment from the Federal side. These projects broke ground in 2004 and will be completed by the fall of 2006.

While not all of the 19 projects have been completed, significant progress is being made. For example, the Mancos Water Conservancy District in Colorado has already installed five different types of canal lining materials along five sections of their inlet canal which are now being tested to determine which technique is most effective. Durability, application methods, and repair methods will be documented during the test, and the District will use the results to determine the best way to line the entire canal. The San Juan Dineh Water Users Association (Association), which serves water users in the Navajo Nation near Shiprock, New Mexico, is using its Challenge Grant to replace three unlined canal laterals with underground pipelines, potentially saving 5,500 acre feet per year for the Association's water users. The Association has nearly completed work on one of the laterals and will begin construction on the other two this fall. This project will decrease demand on the San Juan River, which will benefit endangered fish, and will ensure equitable distribution of water among the Association's water users, helping to preserve Native American farming methods.

The deadline for submittals to the fiscal year 2005 Challenge Grant Program was January 21, 2005. For the \$10 million available in fiscal year 2005, we received 117 proposals requesting \$35.5 million in Federal assistance \$10 million more than was requested in fiscal year 2004. The 117 proposals represent \$115 million in water delivery system improvements across the West, with \$79.5 million proposed to come from non-Federal matching funds. Reclamation just announced the 43 projects in 13 States selected for funding. The \$9.9 million in Federal grants awarded equates to more than \$27 million in improvements.

In fiscal year 2004, Reclamation also entered into a cooperative agreement with the Middle Rio Grande Conservancy District (District) through the Water 2025 Program for water conveyance system improvements. This project will improve and modernize irrigation water conveyance facilities to increase efficiency, reduce system losses due to seepage and evaporation, and improve water management in the Middle Rio Grande Valley. System improvements include replacement of turnouts and old gates, concrete lining of canals, telemetry and measuring devices, automation and a computer system able to manage hundreds of gates with information published on the internet for improved management of the flows of the Rio Grande River. These improvements are intended to reduce diversions by the District, so that it can retain more water in upstream storage to meet future demands. Work on these improvements is currently underway and is anticipated to be completed by December 2007.

#### TULAROSA BASIN DESALINATION FACILITY

*Question.* The Bureau of Reclamation has led the development of the Tularosa Desalination Demonstration test facility in New Mexico for 3 years. I enjoyed my recent visit to the site accompanied by Representative Pearce of New Mexico. The demonstration of the Office of Naval Research's expeditionary unit was well done. The partnership between the BOR, the Office of Naval Research and the Department of Energy represented by Sandia National Laboratories is a priority for me and I am anxious to have the facility completed and serving its intended purpose.

Is the BOR committed to complete this project and use it to its fullest extent possible?

Mr. KEYS. Yes, Reclamation is committed to getting the facility up and running as soon as possible. Reclamation, its contractor, and the designer are working closely to reduce overall costs and ensure that the construction schedule can rapidly execute completion of the facility as construction funding is made available.

Although the building is not yet completed, our strategic approach to construction allowed demonstration testing of the Navy's expeditionary unit to get underway at the end of April 2005. Under current funding and scheduling scenarios, the earliest the building will be available and able to offer the full scope of capabilities is 2006.

The facility is designed to attract researchers from the private sector, universities, cities, States, other Federal agencies, and interested international entities. Testing on improvements and cost reductions for inland brackish desalination processes will be carried out through research studies, pilot plant testing, and small demonstration testing. Currently, it is envisioned that the research areas will focus on the unique attributes of the facility to support studies on improved brackish desalination technologies, concentrate disposal, renewable energy driven processes, new innovative processes for brackish desalination, and small rural systems.

Many companies, universities, and government partners have expressed interest in the availability of the facility. Every effort will be made to involve these potential partners in the research work at the facility.

*Question.* What is the BOR doing to plan for this future and what are those plans?

Mr. KEYS. A business plan is being developed. A draft will be available at the end of fiscal year 2005. The business plan will identify the organizational structure, a more refined estimate of operation and maintenance costs, potential revenue sources, and an identification of research opportunities based on their alignment with the Administration's Research and Development Investment Criteria.

Research will be carried out through several different vehicles, (e.g. intramural, cooperative agreements, Cooperative Research and Development Agreements (CRADAs), and interagency partnerships with the Navy, Army, EPA, Sandia, and others). The business plan will identify future opportunities for external input by interested parties.

*Question.* What has the BOR done to strengthen and expand the interagency relationships so critical to the success of our national efforts?

Mr. KEYS. Efforts to strengthen and expand interagency relationships have been undertaken by Reclamation. In 1992, the Interagency Consortium for Desalination and Membrane Separations Research was created to leverage Federal Government resources. The consortium has been a grassroots organization which has been able to share expertise across government agencies such as the Army, Navy, EPA, Reclamation, National Institute for Standards and Technology and others. The best known outcome from this relationship has been the partnering among the Navy, Reclamation, and the Army on the Expeditionary Unit for Water Purification currently under testing at the Tularosa Facility. In an effort to expand the consortium's reach, the national laboratories were invited to the fiscal year 2004 annual consortium meeting to make presentations on their missions and programs.

Reclamation has also engaged in a successful collaboration with Sandia National Laboratories in the development of both the Tularosa facility and the desalination research roadmap. The roadmapping process currently involves other agencies in an effort to coordinate mission specific needs and to address national priorities in a timely and systematic manner.

#### NEW MEXICO PROJECT OPERATIONS IMPROVEMENTS

*Question.* Both the contractors for the San Juan Project and the contractors for the San Juan Chama Projects in New Mexico have contacted the BOR about their desire to discuss optimization of the operations of the facilities in those projects. They feel that the Bureau has been slow to respond to their requests for consultation. Will the BOR commit to consultations with these contractors to evaluate proposals for modification to the operations of these projects seeking to improve the yield of the projects?

Mr. KEYS. We believe this question refers to Santa Fe's request for carryover storage in Heron Reservoir. Reclamation has discussed this request with the contractor and will continue to do so. At this time, Reclamation believes it has no authority for carryover storage. However, Reclamation is involved in the Upper Rio Grande Water Operations EIS, which is attempting to optimize water operations under existing authorities.

*Question.* Will you include our office in the discussions?

Mr. KEYS. Yes, your office will be included in the discussions.

## MIDDLE RIO GRANDE ESA COLLABORATIVE PROGRAM

*Question.* The Middle Rio Grande area in central New Mexico has been in turmoil over addressing requirements of the Endangered Species Act for the Rio Grande Silvery Minnow and the Southwest Willow Flycatcher. Since 2001 the Middle Rio Grande Collaborative Program has attempted to use collaborative efforts to address these issues and avoid unproductive litigation. The program has made great progress in development of a long-term plan and to implement projects consistent with the 2003 Biological Opinion's Reasonable and Prudent Alternatives. However, the decision and administrative structure of this program has yet to function efficiently. It is my goal to finalize the organization of this program and to introduce authorizing legislation to fully implement it. Will your two agencies (Army Corps of Engineers and Reclamation) commit to working with my staff in developing a final organization and moving this program forward in a positive manner?

Mr. KEYS. Yes. We are committed to working with your staff and the Corps in developing the final organizational structure and moving the program forward.

The Collaborative Program is currently developing a governance structure with anticipated completion within the next few weeks. Reclamation is providing input into this process. Reclamation's Albuquerque Area Manager met with members of your staff on April 12, 2005, to discuss Reclamation's organizational proposal for the Collaborative Program.

*Question.* Will the BOR commit to streamlining and providing the full administrative and contracting resources needed to implement this program and thus overcome current and historical problems?

Mr. KEYS. Yes. Reclamation will support the administrative and contracting needs of the Program while seeking opportunities to streamline processes.

*Question.* Will BOR commit to increasing the engagement of the Executive Committee?

Mr. KEYS. Yes. Reclamation will work with the Program's signatories towards increasing the engagement of the Executive Committee.

## TRINITY RIVER

*Question.* As you know, the Federal Court of Appeals recently upheld the Trinity Record of Decision. As a result, Trinity River flows will now vary between 369,000 and 815,000 acre-feet per year (excluding safety of dam releases). This represents an average flow increase of approximately 260,000 acre-feet per year.

Water diverted from the Trinity River to the Sacramento River flows through three different power plants, generating 1,100 kWh for every acre foot of water. With this water no longer being diverted to the Sacramento River, the output of the Central Valley Project power system will be reduced by almost 10 percent.

According to the public power customers in Northern California, they will incur \$15 million to \$22 million in costs per year to replace that power. Does the Department agree with that assessment?

Mr. KEYS. The Department's power value estimate was based on a consultant's forecast of energy prices and these are comparably lower than that claimed by some Northern California power customers. The Environmental Impact Statement/Report and the Supplemental Environmental Impact Statement provided detailed analysis of the potential impacts associated with increased flows in the Trinity River and resulting associated decrease in Central Valley Project generation. The amount of foregone generation (kilowatt-hours) is generally agreed upon but the value of that generation is where differences often occur. For instance, based on the Record of Decision flows, the value of foregone CVP generation forecast by the Department's consultants is \$7.2 million to \$21.2 million depending on the water year type. It is also noted that the CVP is operated as an integrated project incorporating several major rivers. Focusing on perceived Trinity River flow changes alone does not represent an entirely accurate assessment of CVP-wide impacts. As an illustration, reducing Trinity River diversions to the Sacramento River will likely require additional releases from Shasta Dam in order to meet those same Sacramento River flows previously augmented by the Trinity diversions. This means higher Shasta generation would then be produced and such generation will, in effect, offset some of the lower Trinity generation.

*Question.* Since the allocation of costs is supposed to track the distribution of benefits, does the Bureau intend to reallocate costs associated with the Trinity Project to reflect this operational change?

Mr. KEYS. The Region currently is developing a formal response to a request that has been received from CVP water and power customers. A forecast schedule for performing the cost-allocation process as well as a budget estimate of its cost is being prepared and will be reviewed with these customers within the next few

weeks. Any such cost-allocation process would include operating conditions in place and expected to be in place in the foreseeable future. As the CVP is operated as in an integrated project, the cost allocation would be CVP-wide and not just focus on the Trinity Project.

*Question.* If so, when do you expect to have this change in place?

Mr. KEYS. The CVP is an expansive, multi-purpose project with a capital cost allocation base of \$3,359 million as of September 30, 2004. The method that has been used to allocate the capital costs of the CVP in the past and the one that would be used to allocate the capital costs of the CVP is known as separable costs-remaining benefits. This method requires estimating not only project benefits but also the costs of "single-purpose alternatives" that would generate the same level of benefits and the costs of project facilities with each project purpose removed.

The two most time consuming and costly tasks in a new allocation would be water and power operation studies and facilities design and cost estimates. Water and power operation studies would need to be performed in order to estimate the power and water supply benefits of the project. This would involve developing basic assumptions, validating them, developing a matrix for computer model runs, performing the runs, and presenting the results. It has been estimated that this process would require at least 4 years to complete and cost at least \$4 million.

Appraisal-level cost estimates for at least 50 facilities with multiple operational scenarios and multiple features for each facility would have to be made. This process itself would cost more than \$3 million and require 3 years to complete.

Necessary changes to the Trinity River flows have been implemented and will continue to be implemented as required.

#### O&M COSTS FOR SECURITY

*Question.* The administration has requested \$50 million for site security efforts, an increase of \$6.8 million from fiscal year 2005 levels. The budget further proposes that the O&M related security costs will be reimbursable from project beneficiaries. Can the Department make such a change administratively or does legislation need to be enacted?

Mr. KEYS. The proposal is consistent with existing law. Reclamation has the administrative discretion to determine the circumstances in which additional security measures are reimbursable, and proposes that annual costs associated with activities for guarding our facilities be treated as project O&M costs subject to reimburseability based upon project cost allocations. Funding for capital improvements, including physical security upgrades, will remain non-reimbursable.

*Question.* The Reclamation Project Act of 1939 (53 Stat. 1187) which authorizes Reclamation to enter into contracts to furnish water from its projects provides at Section 9(e): "Each such contract shall be . . . at such rates as in the Secretary's judgment will produce revenues at least sufficient to cover an appropriate share of the annual O&M cost and an appropriate share of such fixed charges as the Secretary deems proper." How does the Department plan to deal with any O&M costs that are related to meeting its Trust responsibilities for Indian Tribes?

Mr. KEYS. Reclamation will allocate O&M costs based on project cost allocations pursuant to individual project authorizations. Where those allocations are reimbursable, the costs will be reimbursed from other sources, including Indian Tribes. Where those allocations are non reimbursable, the cost will not be reimbursed from other sources.

*Question.* The proposal notes that the "project beneficiaries" will be responsible for these O&M related security costs. Does this include M&I users or will the Department only target power customers?

Mr. KEYS. Reclamation will allocate costs to all authorized project functions which could include in any one project the following types of functions: irrigation, M&I, power, recreation, flood control, fish and wildlife. Although cost will be allocated to all authorized project functions, costs will not be recovered from those functions that are non-reimbursable, i.e. recreation, flood control, and fish and wildlife.

*Question.* Will the Department consider only the primary purposes of the project or will it consider secondary purposes as well?

Mr. WEIMER. Unauthorized secondary functions have no allocations and therefore, costs will not be reimbursable to those functions.

#### DROUGHT

*Question.* The Southwestern United States has been experiencing drought conditions since 2000. The Pacific Northwest is also experiencing water supply shortages and the current snow pack is almost 50 percent below average.

It is my understanding that in your role as Water Master for the Colorado River, you are working with the basin States to develop a voluntary protocol to deal with water shortages. What is the status of the protocol?

Mr. WEIMER. Interior asked the Basin States in the spring of 2004 to provide consensus-based recommendations concerning mitigating the effects of the drought in the Colorado River Basin, for both the short-term, 1 to 2 years, and long-term, more than 2 years. Because of the need to improve coordinated management of the Colorado River reservoirs due to the current and future droughts, Interior held a Work Group meeting on May 26, 2005, in Henderson, Nevada.

Based on input received from the Work Group, the Bureau of Reclamation published "Notice to Solicit Comments and Hold Public Meetings on the Development of Management Strategies for Lake Powell and Mead, Including Lower Basin Shortage Guidelines, Under Low Reservoir Conditions" in the Federal Register on June 15, 2005. To date, the States have submitted one recommendation, asking that the Department of the Interior begin a process with the State Department to engage the Republic of Mexico in shortage discussions.

*Question.* When will it be completed?

Mr. WEIMER. The public process to adopt shortage guidelines for the Lower Basin would not be completed for at least 2 years. At a minimum, Interior expects to complete the consultation process by December 2007.

*Question.* Are the States willingly engaged in this effort?

Mr. WEIMER. Yes. In May 2004, Interior asked Reclamation to provide technical assistance to the States with regard to studies that might help them recommend consensus-based measures. The Basin States formed a technical "work group", and have enlisted Reclamation's assistance in studying the effects of various measures, primarily potential water conservation and shortage strategies for the Lower Basin. Reclamation also provides "outreach" to other stakeholders to keep them informed of the issues being considered.

Several workshops and meetings have been held by the technical work group, as well as by the principal decision-makers representing each State.

*Question.* How are the Department, and the administration as a whole, dealing with the drought situation?

Mr. KEYS. The Reclamation States Emergency Drought Relief Act of 1991 (Public Law 102-250) as amended (Drought Act) authorizes the Bureau of Reclamation to undertake drought relief measures through emergency assistance (Title I) and planning activities (Title II).

Title I provides authority for construction, management, and conservation measures to alleviate the adverse impacts of drought. Only temporary construction activities are authorized, except for the construction of permanent wells. Title I also authorizes temporary contracts to make available project and nonproject water and to allow for the use of Reclamation facilities for water storage and conveyance. The 17 Reclamation States and Hawaii, as well as tribes within those States, are eligible for this assistance. In fiscal year 2006, the request for drought assistance is \$500,000.

Over the years, much of the funding appropriated under the Drought Act has been used to reduce effects from drought in several river basins, including the Rio Grande and Pecos River. Also, significant funding has been used to construct wells on tribal lands and for smaller towns and counties. Reclamation has constructed many wells for drinking water for smaller financially-strapped entities (towns, counties, tribes) that do not have the financial capability to deal with the impacts of drought.

In addition to utilizing the Drought Act authority, the Department of the Interior developed Water 2025 to focus Reclamation's financial and technical resources on areas in the West where conflict over water either currently exists or is likely to occur in the next 25 years, even in non-drought conditions. The Water 2025 program identified Hot Spots, geographic problem areas where there are competing demands for water, which are exacerbated by drought. The program proactively seeks to stretch water supplies through conservation, efficiency, and markets, particularly in the Hot Spots. Water 2025 provides additional tools that help minimize drought impacts.

Reclamation's Water Conservation Field Services Program also addresses drought conditions on a proactive basis, providing technical advice and cost-share financing for water management and conservation improvements before a drought hits. Finally, Reclamation Project reservoirs continue to protect against water shortages due to drought conditions. These reservoirs are doing what they were designed to do, and Reclamation programs such as Safety of Dams Program and the O&M Program maintain these facilities to meet the challenges of drought in the West.

*Question.* If there are multi-agencies engaged in this effort, how are you coordinating them?

Mr. WEIMER. The activities funded by Reclamation through the provisions of the Drought Act are unique to that Act and do not require partnership arrangements. However, through its Water 2025 program, the Department of the Interior is working with local entities and States to improve water management through conservation, efficiency, and markets, and to improve advanced water purification technologies.

Reclamation is also working closely with other Federal agencies, associations and water users both at the Reclamation project level and at the agency level to improve the management, efficiency and conservation of water in the West. These efforts help to stretch otherwise limited water supplies and protect water users in the event of drought. Through the Water 2025 tool of improving interagency cooperation, Reclamation has established MOU's with the Army Corps of Engineers, the "Bridging the Headgates" partners, and is working with the Department of Agriculture to establish an MOU that would initiate cooperation on water management programs and activities of mutual benefit. Reclamation is also working with the USDA to deploy drought action teams in drought stricken areas of the West to coordinate the communication and delivery of drought-relief resources to affected users.

In operating our facilities, we work closely with other agencies (Corps of Engineers, NOAA, State and local governments, irrigation districts, etc.) to monitor and share data that pertain to water conditions. We coordinate water management activities (releases and timing) with those entities to help minimize effects of the drought on communities and citizens of the West. Water rights have previously been adjudicated in the upper Sprague River Valley, west side of the Wood River valley, and the Lost River basin; additionally there are abundant post-1909 certificated water rights upstream of Upper Klamath Lake. If funded, interest from willing sellers would be solicited and offers evaluated in terms of price, transferability, and yield. It is also expected that substantial information would be gained in exercising the Oregon State water-right transfer mechanisms since they have not previously been used in this basin. Such information would also be of interest to Klamath Project Irrigators who may want to acquire senior upstream water rights. Appropriations language was included with the administration's budget request for this pilot program to assure that if lands or other interests in lands were acquired along with the water rights that they would have to be sold back into the private market.

#### KLAMATH RIVER BASIN

*Question.* In a time when many programs are experiencing significant cuts, the administration's fiscal year 2006 Budget requests \$62.9 million for the Klamath River Basin. This represents an 8.4 percent increase from the fiscal year 2005 funding levels. Why did the administration prioritize funding for the Klamath River basin?

Mr. WEIMER. The administration chose to prioritize the funding for the Klamath River Basin due to the problems encountered from several consecutive years of drought, and the high level of controversies in the basin over Interior's responsibilities. The fish species are tribal trust resources, as well as being listed under the Endangered Species Act. Efforts to provide increased lake levels and river flows for the fish have also had a large and lasting effect on the agricultural economy of the Klamath Basin and commercial and sports fishing downstream. Efforts to restore habitat, improve water management, investigate the development of potential new storage options and sources of water will contribute to stabilizing the cultural and economic well being of the basin. The Department is developing and implementing long-term solutions to the water problems in the Klamath Basin.

*Question.* The Budget notes that Interior is in the process of putting together a water bank of approximately 100,000 acre-feet to help meet the water needs for coho salmon. Please explain this effort.

Mr. KEYS. In 2001, Reclamation conducted a 1-year pilot demand reduction program which provided a payment to irrigators in lieu of applying surface water to land previously irrigated. In 2002, 2003, and 2004, a pilot water bank program was implemented to assist in meeting National Oceanic and Atmospheric Administration Fisheries (NOAA) Biological Opinion (BO) requirements for threatened salmon in the Klamath River. The pilot water bank consists of compensating agricultural water users to either forebear use of water, substitute groundwater for surface water, or pump ground water to increase the supply. The results of the pilot water bank program for the various years have been or are being reviewed by Cal Poly-San Luis Obispo and the U.S. Geological Survey. Reclamation refines the water



bank program each year, changing its selection process, contracting process, and program rules based on what was learned in previous years to meet its increasing obligations. For example, in 2002 Reclamation paid a flat fee per acre foot of water. Since then they have instituted a new process where landowners offer to enroll their lands in the water bank by bid. The least expensive, highest yield lands receive priority.

*Question.* Is this supported by the Klamath River stakeholders, including the environmentalists?

Mr. KEYS. The stakeholders support the Water Bank generally as a short-term solution, but not for the long-term. The water bank has been successful in that large numbers of irrigators have voluntarily signed up for it, and it has allowed Reclamation to meet the requirements in the NOAA Fisheries and Fish and Wildlife Service biological opinions and provide sufficient water to meet the need of contracts for irrigation. The high annual cost of the water bank is problematic, and the water bank is viewed as a temporary solution while long-term solutions are developed. Water users are seeking assurance of a water supply which the water bank does not provide, and are concerned that idling land will negatively affect agribusiness in the basin. The environmental community and the tribes support the concept of a water bank; however, they believe 100,000 acre feet annually is insufficient and that lands should be permanently retired.

*Question.* I would also like to know more about the \$500,000 requested for a Fish and Wildlife Service prototype program to acquire and transfer water rights to the wetlands in the Klamath Basin refuges. Will the Department buy or lease these water rights?

Mr. KEYS. The intent is to buy the water rights.

*Question.* Have you identified people who would be willing to let the Department acquire their water rights?

Mr. WEIMER. The administration's request to fund the FWS water rights acquisition pilot program is designed to test the market for water right acquisitions and the Oregon water right transfer procedures for transferring water rights to the FWS refuges. Currently, Lower Klamath Lake and Tule Lake refuges are mostly dependent on tailwater from irrigated lands for their water supply, and the refuges are disproportionately hard hit during dry years. A substantial amount of water-righted land is always on the market in the basin, but no specific water rights for the program have been pre-identified. Water rights have previously been adjudicated in the upper Sprague River Valley, west side of the Wood River valley, and the Lost River basin; additionally there are abundant post-1909 certificated water rights upstream of Upper Klamath Lake. If funded, interest from willing sellers would be solicited and offers evaluated in terms of price, transferability, and yield. It is also expected that substantial information would be gained in exercising the Oregon State water-right transfer mechanisms since they have not previously been used in this basin. Such information would also be of interest to Klamath Project Irrigators who may want to acquire senior upstream water rights. Appropriations language was included with the administration's budget request for this pilot program to assure that if lands or other interests in lands were acquired along with the water rights that they would have to be sold back into the private market.

#### O&M COSTS FOR SECURITY

*Question.* With regard to the treatment of security costs for Reclamation facilities following the events of 9/11/01, what consideration have you given to a "risk of loss" assessment in developing an equitable allocation of costs to all of the multiple purposes and beneficiaries of the facilities?

Mr. KEYS. Reclamation has conducted comprehensive security risk assessments at all critical facilities, evaluating vulnerabilities, threats and consequences (including loss of mission, loss of life, and public safety). Based on these assessments, Reclamation has developed risk management strategies to protect the public, its employees, and the facilities and their mission. Reclamation does not allocate project costs based on "risk of loss" but allocates costs based on the project benefits portion of operations and maintenance costs in accordance with established Reclamation law and policies.

*Question.* What steps has Reclamation taken to mitigate the level of security costs for guards and surveillance?

Mr. KEYS. Reclamation has taken several steps to mitigate the level of security costs for guards and surveillance. In July 2004, Reclamation revised its Threat Condition Protective Measures to eliminate the across-the-board requirement for random patrols at yellow and orange National threat levels for specific classes of facilities. The need for increased patrols and surveillance due to changes in threat condi-

tion is now determined based on local conditions, such as local or regional threats, existing electronic surveillance systems, and the presence of on-site operations and maintenance staff.

Reclamation also eliminated across-the-board patrol requirements for dams when the water surface elevation is reasonably low, for example during drought conditions. Reclamation has also reviewed the need for guards and surveillance at several facilities and has examined alternatives such as modifying contracts from routine daily patrols to “as needed” contracts that are only exercised under certain conditions.

*Question.* Has Reclamation considered a user fee program, which could significantly defray the costs of guards?

Mr. KEYS. Reclamation has not investigated user fee programs.

*Question.* Has Reclamation requested co-funding from the National Park Service for jointly used facilities?

Mr. KEYS. Reclamation has not requested co-funding from the National Park Service. Reclamation and National Park Service work together to find the most efficient and effective ways to protect facilities.

*Question.* Commissioner Keys, how much has the Bureau requested and received for increased security costs at its multi-purpose dams in the wake of the attacks of September 11, 2001?

Mr. KEYS. Between September 11, 2001 and September 30, 2005, Reclamation will spend \$169 million in non-reimbursable anti-terrorism dollars, which include guard and surveillance activities.

*Question.* Please break those numbers down by fiscal year.

Mr. KEYS.

[In millions of dollars]

	Amount
Fiscal Year 2002 Actual .....	35.6
Fiscal Year 2003 Actual .....	53.2
Fiscal Year 2004 Actual .....	36.9
Fiscal Year 2005 Enacted .....	43.2
Fiscal Year 2006 Request .....	50.0

*Question.* Who has paid for that increased security?

Mr. KEYS. Reclamation has paid for 100 percent of increased security costs since 9/11/01.

*Question.* How much does the Bureau anticipate it will request from increased security measures in fiscal years 2007 through 2012?

Mr. KEYS. Reclamation will continue budgeting for guard and surveillance needs as appropriate and anticipates outyear budget requests will be maintained at a level similar to recent budget requests. The annual number will vary based on programmatic priorities and long-term goals for meeting security needs.

*Question.* Who will pay the anticipated costs?

Mr. KEYS. Annual costs associated with facility guard and patrol activities will be treated as project O&M costs subject to reimbursability based upon project cost allocations. Reclamation will continue to fund the costs of facility hardening and program management on a non-reimbursable basis.

*Question.* How does the Bureau determine which part of the costs of increased security should be reimbursable and which part should be non-reimbursable?

Mr. KEYS. Reclamation considers the ongoing costs of guards and patrol to clearly fall within the definition of project operation and maintenance (O&M) costs. Therefore, those costs are subject to reimbursement based on project cost allocations. Like equipment maintenance, routine facility security activities such as guards and patrol are critical in ensuring the uninterrupted supply of Reclamation water and power. The determination to treat guard and patrol costs as reimbursable project O&M is within Reclamation’s authority under Federal reclamation law, in particular the Reclamation Project Act of 1939, and is consistent with longstanding policy and practice.

Following the terrorist attacks of September 11, 2001, expenditures for security enhancements on Bureau of Reclamation facilities increased rapidly and dramatically through emergency supplemental appropriations. Although Reclamation’s practice at that time provided for the ongoing costs of security-related activities (including guards and patrol) on Reclamation facilities to be a project cost subject to reimbursement by project beneficiaries, it was decided that initially, the post-9/11 facility security-related cost increases should be borne by the United States.

The rationale for making guard and patrol cost increases temporarily non-reimbursable was that it would have been a significant hardship for the project beneficiaries to bear the entire burden of the urgent, dramatic, and unplanned cost escalation.

*Question.* Once the Bureau determines which costs should be reimbursed by project beneficiaries, how does it allocate those costs among beneficiaries?

Mr. KEYS. The capital costs of a Reclamation project are allocated to all authorized project functions by percentage of the total construction costs attributable to each function. The beneficiaries of the functions of irrigation, power, and municipal and industrial water supply reimburse the Federal Government for the percentage of project capital costs allocated to their particular function. Functions such as flood control, fish and wildlife, recreation, water conservation, and land resource management are considered to benefit the general public and thus are nonreimbursable. Annual operation and maintenance (O&M) costs for a project are reimbursed in accordance with the same allocated percentages as the capital costs. Reimbursable O&M costs are billed to and recovered from the project beneficiaries in the year in which they are incurred.

*Question.* Are all classes of project beneficiaries allocated a portion of the costs the Bureau determines should be reimbursed?

Mr. KEYS. Irrigation, M&I water supply, and hydroelectric power generation are categorized as reimbursable; O&M costs allocated to the functions of flood control, fish and wildlife, water control/conservation, recreation, and land resource management, all of which are considered beneficial to the general public, are nonreimbursable. Reimbursable costs are billed to and recovered from the beneficiaries; non-reimbursable costs are not and are instead borne by the Federal Government.

*Question.* What kind of benchmarking does the Bureau use to determine which proposed security enhancements are appropriate?

Mr. KEYS. Upon the completion of vulnerability risk assessments, many of which were conducted through contracts with security experts, Reclamation employs a Security Advisory Team review process and a decision making process to critically evaluate all recommendations made in the risk assessment report. Reclamation includes outside experts in this process.

Reclamation also is an active member of the Interagency Forum on Infrastructure Protection (IFIP), which meets regularly to discuss issues, methodologies, and best practices. IFIP members include Reclamation, the Army Corps of Engineers, Tennessee Valley Authority, Bonneville Power Administration, Western Area Power Administration, Federal Emergency Management Agency, Federal Energy Regulatory Commission, Sandia National Laboratory, the Association of State Dam Safety Officials, and others.

*Question.* Does the Bureau use any kind of risk analysis when proposing increased security measures?

Mr. KEYS. Yes. Reclamation uses a comprehensive security risk assessment process to determine the risk at each critical infrastructure facility. The assessment methodology examines the threats, vulnerabilities, consequences, and existing security measures at each facility. The risk analysis process includes a review of proposed risk reductions by peer reviewers and external security experts to validate each recommendation in relation to risk reduction strategy.

*Question.* Does the Bureau use any cost-effectiveness analysis when proposing increased security measures?

Mr. KEYS. Yes. Reclamation conducts cost-effectiveness analysis in the areas of the cost of a proposed recommendation relative to the projected reduction in risk that the recommendation provides. Reclamation also performs front-end cost effectiveness analysis of security guard functions at its National Critical Infrastructure facilities.

#### UPPER COLORADO REGION

*Question.* In the event that minimum power generation level is reached in the Colorado River Storage Project (CRSP) as a result of drought conditions, what precautions is the Bureau taking to avoid laying the burden of financing non-power program—such as the Glen Canyon Adaptive Management Program, the Salinity Control Program, and the Endangered Fish Recovery Program—on CRSP power customers?

Mr. KEYS. Funding from power revenues for the non-power programs, such as the Glen Canyon Adaptive Management Program, the Salinity Control Program, and the Endangered Fish Recovery Program, is provided by Federal legislation. Reclamation is meeting with both the Western Area Power Administration and the Colorado River Energy Distributors Association to discuss issues related to the CRSP

and the drought. Discussions have dealt with how these programs can continue to be funded if Lake Powell approaches the minimum power generation level.

The Legislation for the Endangered Fish Recovery Program addresses funding through the Basin Fund with provision for appropriations. That is, if “. . . the Western Area Power Administration and the Bureau of Reclamation determine that the funds in the Colorado River Basin Fund will not be sufficient to meet the obligations of section 5(c)(1) of the Colorado River Storage Project Act for a 3-year period, the Western and Reclamation shall request appropriations to meet base funding obligations.”

*Question.* Is the Bureau considering an appropriations request to Congress in order to cover such an eventuality?

Mr. KEYS. Based on the legislation, we must determine that funding will not be available for a 3-year period. That determination has not been made at this point in time.

The legislation for the Adaptive Management Program and the Salinity Control Program does not address funding through appropriations. The current process for funding operation and maintenance activities and non-power programs is to look at all program items and request funding for work based on the priority of each item. Such programs as these would be considered in this process.

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#### QUESTIONS SUBMITTED BY SENATOR DANIEL K. INOUE

##### HAWAII WATER RESOURCES

*Question.* In fiscal year 2004, funds were provided to the Bureau of Reclamation to initiate activities on water recycling opportunities. Such activities are critical to Hawaii since water use rates in Hawaii are increasing and groundwater recharge rates are declining. What is the current status of the Bureau's work on this issue?

Mr. KEYS. Last June, Reclamation retained a contractor to complete an appraisal study of potential opportunities for storm-water collection, treatment, and reuse. In cooperation with State and local agencies, the contractor has identified such opportunities and is currently completing their analysis. A final report is due by the end of June 2005.

*Question.* What recommendations does the Bureau have for future actions in Hawaii pertaining to water recycling, in general, and storm-water capture and reuse, in particular?

Mr. KEYS. The potential for storm-water collection and reuse will not be known until the on-going study is complete, but early indications are that small, local projects may present opportunities to increase water supply as well as provide other benefits. Hawaii recognizes the value of water reclamation and reuse as part of a broad strategy for developing new water sources to serve increasing needs. This is particularly relevant on the islands of Oahu and Maui because reuse opportunities are being identified and evaluated. Given Reclamation's limited resources and current needs for existing Reclamation Projects, a future role for Reclamation is difficult to envision for Hawaiian recycling projects.

##### SUBCOMMITTEE RECESS

Senator ALLARD. Having said that, we'll go ahead and recess the subcommittee meeting.

[Whereupon, at 3:40 p.m., Thursday, April 7, the subcommittee was recessed, to reconvene subject to the call of the Chair.]